First Quarter Financial Report
July — September 2017

BOARD OF SUPERVISORS

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INTRODUCTION

This is the First Quarter Financial Report for Stanislaus County submitted by the Chief Executive Office for the period of July 1, 2017 to September 30, 2017, for the 2017-2018 Fiscal Year. It has been prepared to inform the Board of Supervisors, County leadership, and the public of the County's fiscal status. The report provides 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 2017.

BACKGROUND

On September 19, 2017, the Board of Supervisors adopted the Fiscal Year 2017-2018 Final Budget for Stanislaus County. This $1.3 billion spending plan reflected an increase of $82.9 million, or 7%, over the 2017-2018 Adopted Proposed Budget and a $132.1 million, or 11.7%, increase over the 2016-2017 Adopted Final Budget.

Approximately 80% of the increase between the 2017-2018 Adopted Proposed Budget and the 2017-2018 Adopted Final Budget occurred in Special Revenue funds, which are budget units with external funding resources beyond the County General Fund. Nearly $60 million in increased appropriations were used to right size the budget for social services programs due to unmet needs caused by changes in cost-sharing requirements at the State level.

The Adopted Final Budget also included $3.5 million Public Works – Road and Bridge support for roadway resurfacing projects and $1.7 million in Workforce Development for expanded Workforce Innovation and Opportunity Act (WIOA) and Welfare-to-Work program services, all fully supported with Federal and State funding.

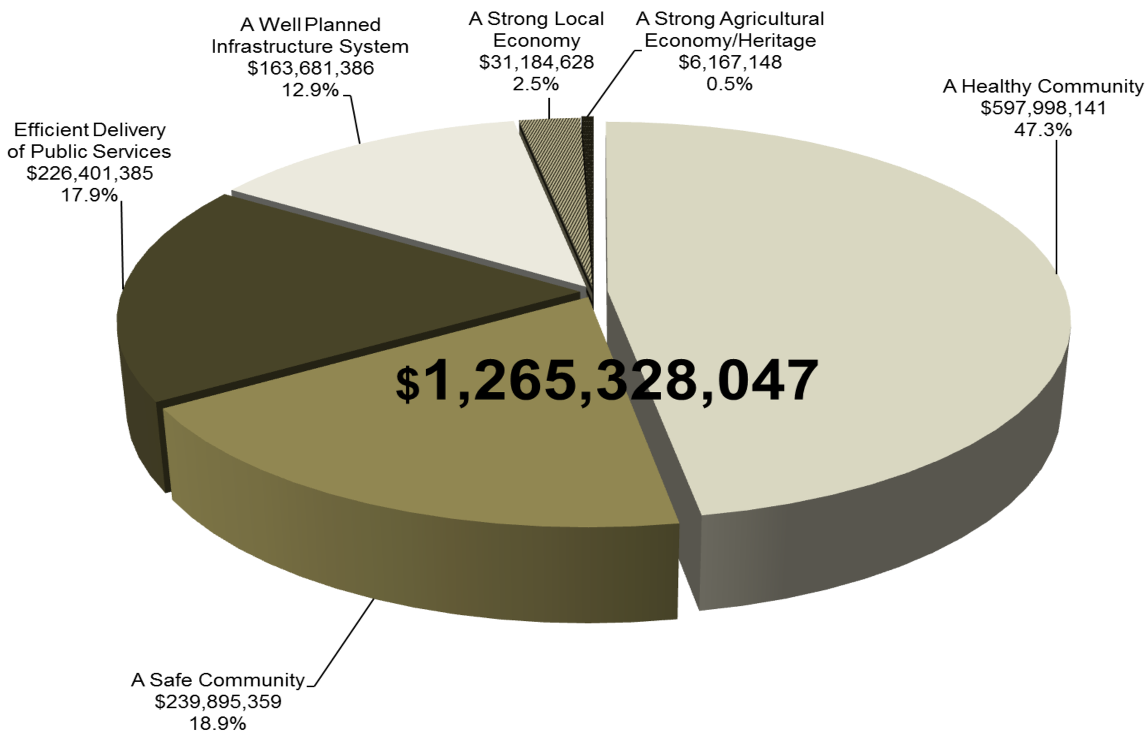
Adjustments in the General Fund totaled $16.2 million and included $7.1 million for early debt pay-off related to the AB 900 Phase II Public Safety Expansion project and $2.5 million for one-time needs in Public Safety departments, offset by prior year public safety savings. Consistent with past practice, Net County Cost carryover savings was included in the Final Budget, totaling $2.2 million. Additionally, changes from Proposed Budget included $1.3 million in funding for the Community Services Agency In-Home Supportive Services (IHSS) program County share of cost obligation, identified as the required Maintenance of Effort (MOE).

The 2017-2018 Adopted Final budget also included funding for 4,469 allocated full-time positions, an increase of 154 positions above the 2016-2017 Adopted Final Budget.

BUDGET OVERVIEW

The following chart reflects the total Adopted Final Budget expenditure authority approved by the Board of Supervisors for 2017-2018, by Board priority:

Fiscal Year 2017-2018
Adopted Final Budget Expenditures
By Board Priority



The following table reflects the total Fiscal Year 2017-2018 Adopted Final Budget expenditure authority, otherwise known as appropriations, compared to the Adopted Proposed Budget and the prior Fiscal Year 2016-2017 Adopted Final Budget.

Comparison of Fiscal Year 2017-2018 Adopted Final Budget by Fund

Fund Type	Adopted Final Budget 2016-2017	Adopted Proposed Budget 2017-2018	Adopted Final Budget 2017-2018	Difference 2016-2017 Final to 2017-2018 Final	% Change from 2016-2017 Final to 2017-2018 Final
General	$298,235,415	$313,662,951	$329,856,219	$31,620,804	10.6%
Special Revenue	$661,346,972	$674,800,115	$741,292,898	$79,945,926	12.1%
Capital Projects	$1,550,510	$1,434,551	$1,434,551	-$115,959	-7.5%
Enterprise	$75,101,766	$86,617,902	$86,786,936	$11,685,170	15.6%
Internal Service	$96,989,007	$105,869,720	$105,957,443	$8,968,436	9.2%
Total	$1,133,223,670	$1,182,385,239	$1,265,328,047	$132,104,377	11.7%

The following table reflects the total Fiscal Year 2017-2018 Final Budget appropriations and funding sources by Fund type, as balanced with the General Fund Contribution, also referred to as "Net County Cost".

Funding Sources of Fiscal Year 2017-2018 Adopted Final Budget by Fund

Fund Type	FY 2017-2018 Final Budget Appropriations	Funding Sources		
		Department Revenue	Department Fund Balance	General Fund Contribution
General	$ 329,856,219	$ 103,311,988	$ -	$ 226,544,231
Special Revenue	741,292,898	693,675,800	29,746,242	17,870,856
Capital Projects	1,434,551	880,000	554,551	$ -
Enterprise	86,786,936	65,370,026	18,303,513	3,113,397
Internal Service	105,957,443	102,384,953	3,572,490	$ -
Total	$ 1,265,328,047	$ 965,622,767	$ 52,176,796	$ 247,528,484

The Net County Cost for General Fund budgets consists of $205.8 million in discretionary revenue and $20.7 million of assigned fund balance, for a total of $226.5 million.

Included in this General Fund Contribution is approximately $2.2 million for General Fund Departments in Net County Cost savings from Fiscal Year 2016-2017. The Net County Cost Savings Program provides an opportunity for departments to carry over budget savings into the future year based on the following criteria:

- **Net County Cost Carryover Savings Phase I Departments** - departments that achieved savings in appropriations are able to carry forward 100% of their unused Net County Cost savings from prior fiscal years and 75% of their 2016-2017 Net County Cost savings. Departments with Net County Cost carryover savings in Phase I include: Agricultural Commissioner with $1.1 million; Chief Executive Office – Risk Management Division with $249,884; and Treasurer-Tax Collector – Admin/Taxes with $419,703.

- **Net County Cost Carryover Savings Phase II Departments** - departments that have received an additional General Fund contribution may participate in the Strategic Savings Program (Phase II Net County Cost Savings Program). This program focuses on improved business efficiencies and department led efforts to improve departmental revenue and allows departments to carry forward up to 50% of year-end Net County Cost savings from Fiscal Year 2016-2017. One Department is active in the Phase II Net County Cost Carryover Savings program: Parks and Recreation with $450,997.

2017–2018 OPERATING BUDGET

The Adopted Final Budget is adjusted throughout the year. These adjustments include carryover of appropriations for obligations from the previous fiscal year and adjustments approved as part of any separate Board of Supervisors' agenda items, as well as adjustments from previous quarterly financial reports. Combined, the Adopted Final Budget and these adjustments represent the Operating Budget at a specific point in time. The Operating Budget as of September 30, 2017, before any adjustments recommended in this First Quarter Financial Report is $1,301,572,931. First Quarter recommendations will increase appropriations by $231,382 to $1,301,804,313, as shown in the chart on the following page.

Operating Budget						
Fund Type	Prior Year Appropriations	FY 2017-2018 Final Budget Appropriations	First Quarter Board Agenda Items Posted Through 9/30/2017	Operating Budget Appropriations on 9/30/2017	FY 2017-2018 First Quarter Recommendations	Recommended First Quarter Budget
General Fund	$ 13,367,261	$ 329,856,219	$ 241,116	$ 343,464,596	59,062	$ 343,523,658
Special Revenue Fund	15,362,248	741,292,898	-	756,655,146	172,320	756,827,466
Capital Projects Fund	-	1,434,551	-	1,434,551	-	$ 1,434,551
Enterprise Fund	5,195,381	86,786,936	-	91,982,317	-	91,982,317
Internal Service Fund	2,078,878	105,957,443	-	108,036,321	-	$ 108,036,321
Total	**$ 36,003,768**	**$ 1,265,328,047**	**$ 241,116**	**$ 1,301,572,931**	**$ 231,382**	**$ 1,301,804,313**

2017–2018 FIRST QUARTER OVERVIEW

The primary focus of the First Quarter Financial Report is to provide an update on the current status of the County budget, correct any errors or omissions that may have occurred in the Adopted Final Budget, and make any required adjustments resulting from State Budget actions, changes in accounting methodologies, or changed economic conditions. Current revenue and expenditure patterns are also reviewed to ensure that budgets are on track to end the year in a positive fiscal position.

The First Quarter recommendations of the Chief Executive Office include a total increase in estimated revenue of $131,062 and an increase in appropriations of $231,382. If approved, the recommendations contained in this report will result in an increase in the use of fund balance/retained earnings of $100,320.

The recommended increases in estimated revenue and appropriations are primarily related to two departments: the Health Services Agency and the Treasurer-Tax Collector. Increases in the Health Services Agency are related to funding that was received last fiscal year and is anticipated to be received this fiscal year for the purpose of reimbursing health care providers for emergency services for people who have no insurance coverage or are otherwise unable to pay for the emergency care provided. In addition, adjustments are recommended for the Revenue Recovery and Treasury Divisions of the Treasurer-Tax Collector Department as a result of one-time office equipment and technology upgrades to improve efficiency of operations. Further, an update to the cost allocation plan for Treasurer-Tax Collector department-wide administrative costs will provide for a fair and equitable distribution of costs to the benefitting divisions. Increases in the Revenue Recovery Division support office reconfiguration, equipment and software for staff, as well as administrative services, funded by charges to the Courts and other County departments for collections services. A reduction in the Treasury Division budget is related to decreased administrative costs charged to this Division, that will require less interest revenue to fund the overall costs of Treasury. Finally, one transfer from Appropriations for Contingencies is recommended for the Public Defender's Office to allow the Public Defender to utilize grant funds that were received in Fiscal Year 2016-2017 by the end of calendar year 2017.

The following chart illustrates the beginning fund balances on July 1, 2017, for the various fund types, as well as the projected year-end balances adjusted for the recommendations contained in this report.

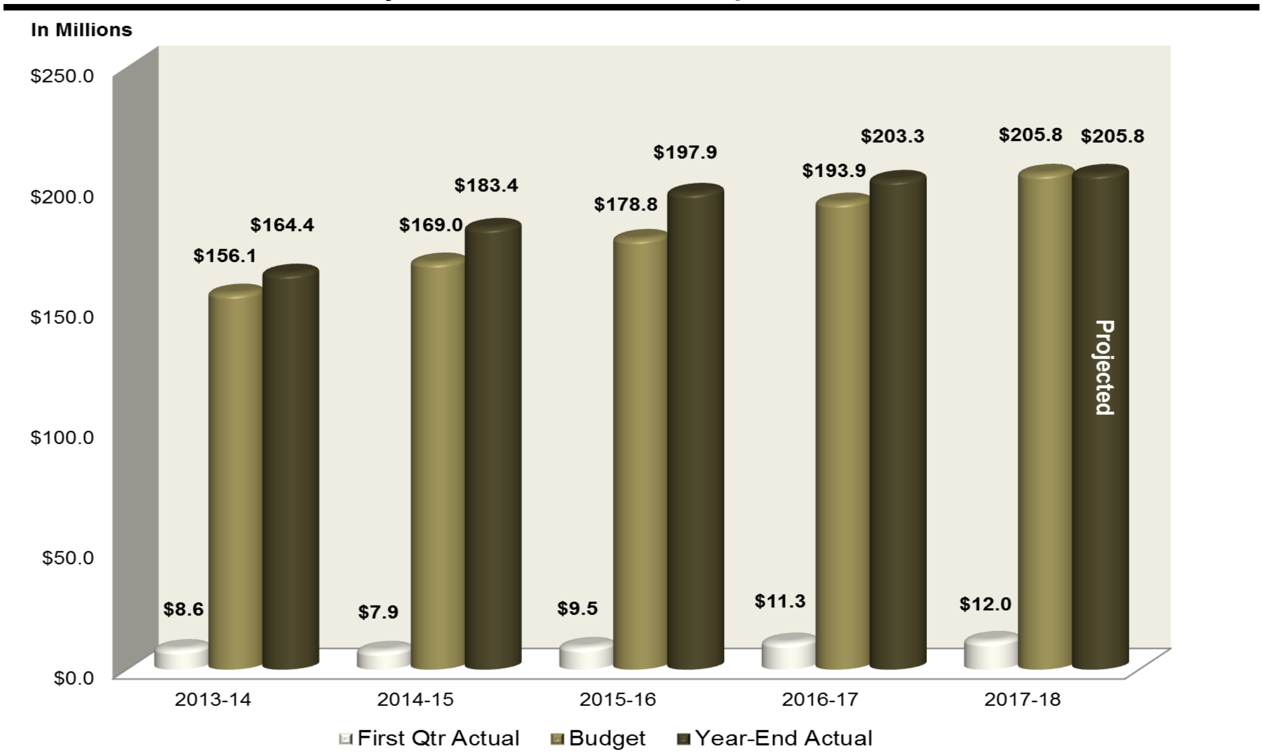
Summary of Fund Balance by Fund Type					
Fund Type	**Beginning Fund Balance on 7/1/2017**	**Operating Budget Revenue on 9/30/2017**	**Operating Budget Appropriations on 9/30/2017**	**First Quarter Recommendation Use of Fund Balance**	**Projected Fund Balance on 6/30/2018**
General Fund	$ 184,365,718	$ 309,291,244	$ 343,464,596	$ -	$ 150,192,366
Special Revenue Fund	225,857,059	711,546,656	756,655,146	100,320	180,648,249
Capital Projects Fund	4,100,385	880,000	1,434,551	-	3,545,834
Enterprise Fund	63,218,383	68,483,423	91,982,317	-	39,719,489
Internal Service Fund	31,125,696	102,384,953	108,036,321	-	25,474,328
Total	**$ 508,667,241**	**$ 1,192,586,276**	**$ 1,301,572,931**	**$ 100,320**	**$ 399,580,266**

Note: The Final Budget reported a beginning fund balance of $517,753,628. Since that time, post-closing adjustments in the amount of $9,086,152 have been posted for all funds which resulted in a revised beginning fund balance of $508,667,241 depicted in the preceding chart. The adjustments are primarily due to decreases in the fair market value of the County's investments.

DISCRETIONARY REVENUE

As of September 30, 2017, nearly $12 million in Discretionary Revenue was received, which represents approximately 5.8% of the 2017-2018 Adopted Final Budget of $205.8 million. For the last five years, Discretionary Revenue collected by the end of the first quarter ranged from 4.7% to 5.8% of the Final Budget and from 4.3% to 5.6% of the year-end actual totals. The current year Discretionary Revenue at first quarter is within the normal budget range and above the actual range, which is an early indication that the County is on target to achieve projected revenues by fiscal year-end. The following chart shows a five-year comparison of first quarter activity.

General Fund—Discretionary Revenue Five-Year Comparison



The Chief Executive Office closely monitors Discretionary Revenue and may recommend changes as necessary with the Mid-Year Financial Report in March 2018 when six months of revenue is realized. The primary reason for the increased revenue in the current fiscal year is due to interest earnings received from the Tobacco Endowment Fund Series 2002 and 2006. The interest transferred to Discretionary Revenue represents 80% of the earnings net of expenses for the prior fiscal year. Revenue received for the prior four years from the two Tobacco Endowment Funds averaged between $2.5 and $2.6 million, compared to nearly $3.5 million received in the current year. In addition, Proposition 172 Public Safety Sales Tax Revenue is up 2.1% from the same time last year. These increases are offset by a decrease in Sales and Use Tax Revenue, due to the accounting of 2015-2016 revenue in the 2016-2017 Fiscal Year. Overall, Sales and Use Tax advances are flat. The first installment of the other major source of Discretionary Revenue, Property Tax and related revenue, will be received in December. Each year only a small portion of the Discretionary Revenue posts by the end of the first quarter and any adjustments to this budget are generally postponed until six months of actuals are received.

A Safe Community

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

A Safe Community

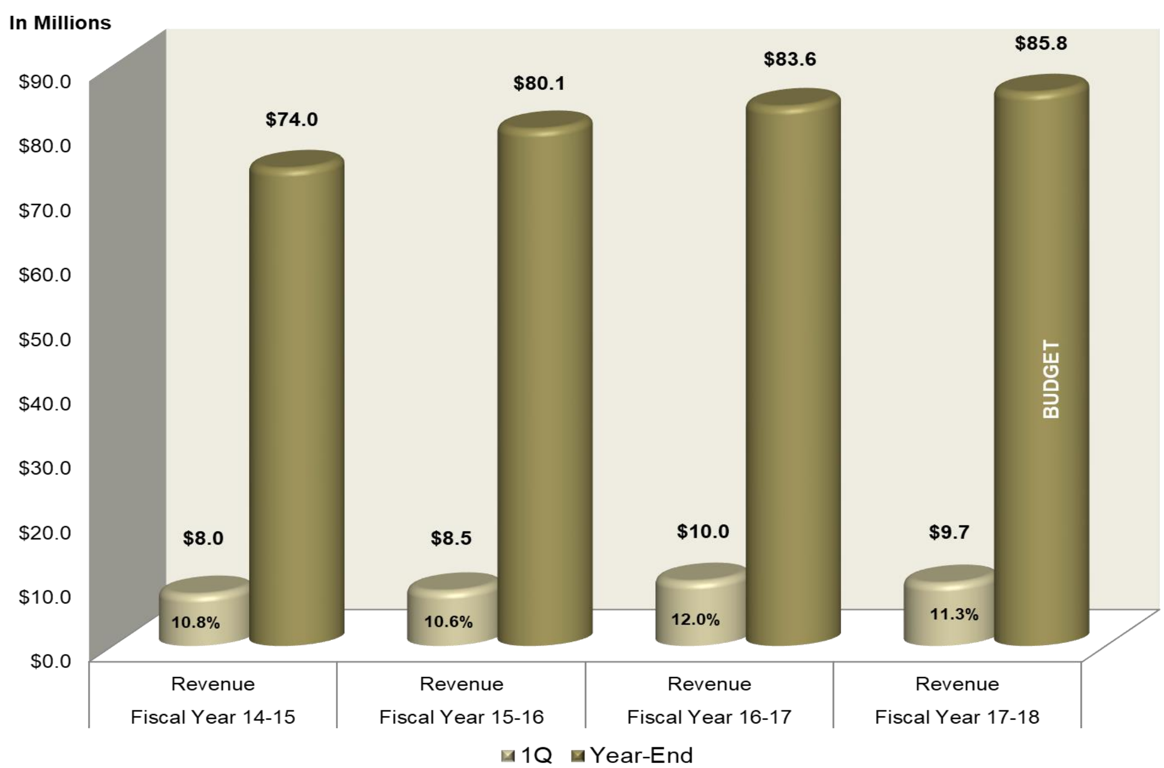
OVERVIEW

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 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 September 30, 2017, actual revenue collected is $9.7 million, which represents 11.3% of the estimated annual revenue. This is within the range when compared to the first quarter point of the prior three years when collections ranged from 10.6% to 12.0% of the final actual revenue.

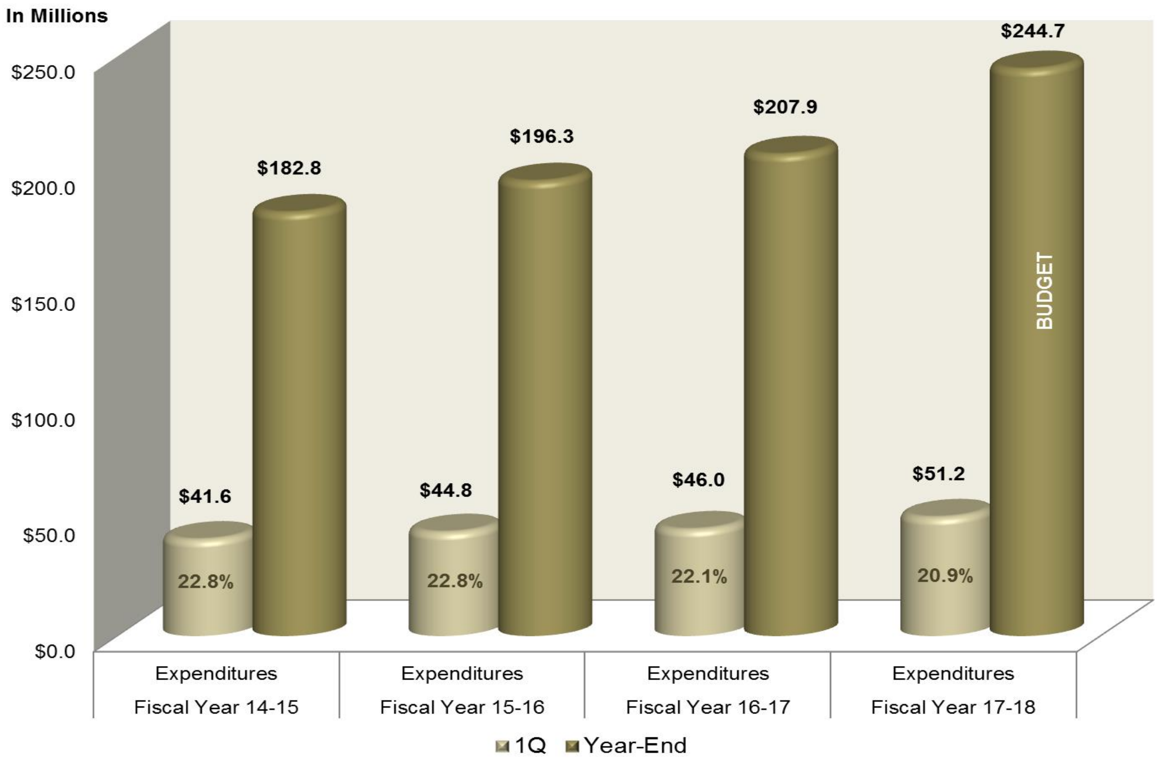
A Safe Community
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of September 30, 2017, expenditures are $51.2 million, representing 20.9% of the budgeted appropriations. Expenditures at the first quarter point of the prior three years ranged from 22.1% to 22.8% of the final actual expenditures, placing this year slightly below the range. This is primarily due to the planned timeline for expenditures in Sheriff - Adult Detention Expansion, and salary savings from vacant positions.

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.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

PROBATION

Corrections Performance Incentive Fund - The Probation Department is requesting to transfer $50,000 in appropriations for the purchase of fixed assets. The Department will use these funds to purchase portable radios at an approximate cost of $50,000.

The Department has a need to purchase five mobile radios for new department vehicles. Two additional portable radios are also required for training purposes. This adjustment is being requested at First Quarter so the radios can be ordered and installed as soon as possible allowing for safe communication between officers in the field.

Budget Unit Name	Requested				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Probation - Corrections Performance Incentive Fund	$0	$50,000	$50,000	$0	Increase appropriations in Fixed Assets for the purchase of vehicle radios.
Probation - Corrections Performance Incentive Fund	$0	($50,000)	($50,000)	$0	Decrease appropriations in Services and Supplies to offset increase in Fixed Assets
Total	**$0**	**$0**	**$0**	**$0**	

Recommendation: It is recommended to transfer appropriations of $50,000 from Services and Supplies to Fixed Assets for one-time purchases of equipment.

PUBLIC DEFENDER

Public Defender – In Fiscal Year 2016-2017, the Department received grant funds in the amount of $26,939 from a Cathode Ray Tubes (CRT) fund obtained by the State of California Attorney General as a settlement agreement. The funds must be used by the end of the 2017 calendar year. During the 2016-2017 Fiscal-Year- end close, the funds went unspent and were posted as a General Fund benefit. This recommended action will restore the funds and allow the Department to purchase Microsoft Surface Pro tablets for investigators and attorneys. This will assist in providing improved customer service as investigators will be able to take their tablets into the field and complete their work more efficiently.

Budget Unit Name	Recommneded				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Public Defender	$0	$26,939	$0	$26,939	Increase appropriations in Services and Supplies for the purchase of computer tablets with prior year grant funds.
Total	**$0**	**$26,939**	**$0**	**$26,939**	

Recommendation: It is recommended to increase appropriations by $26,939 funded through a transfer from Appropriations for Contingencies.

A Healthy Community

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

A Healthy Community

OVERVIEW

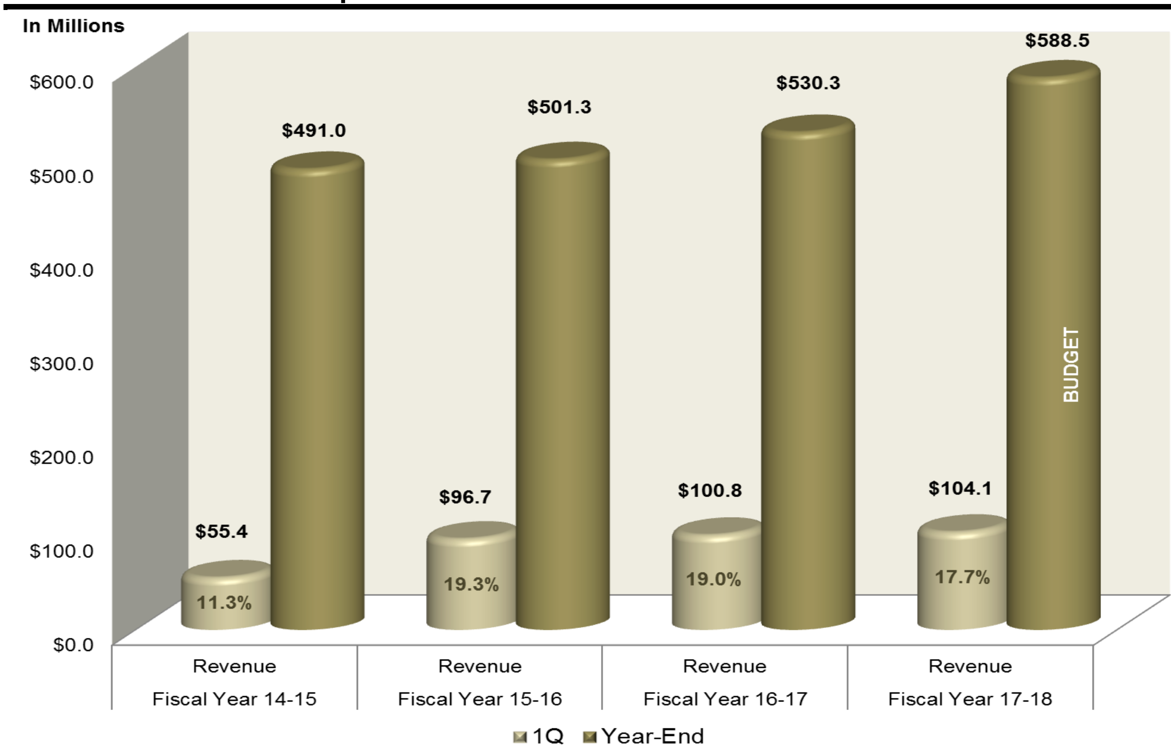
A Healthy Community is vital to the quality of life for our residents. The departments within this Board of Supervisors' priority area focus on protecting and promoting physical health, safety, and overall well-being. They address social problems that include homelessness, incarceration, and fragmented 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.

DEPARTMENTAL REVENUE

For the departmental budgets that are part of A Healthy Community, actual revenue received as of September 30, 2017 totals $104.1 million, which represents 17.7% of the estimated annual revenue. This is within the range of revenue received in the first quarter of the previous three years when collections ran from 11.3% to 19.3% of year-end actual totals.

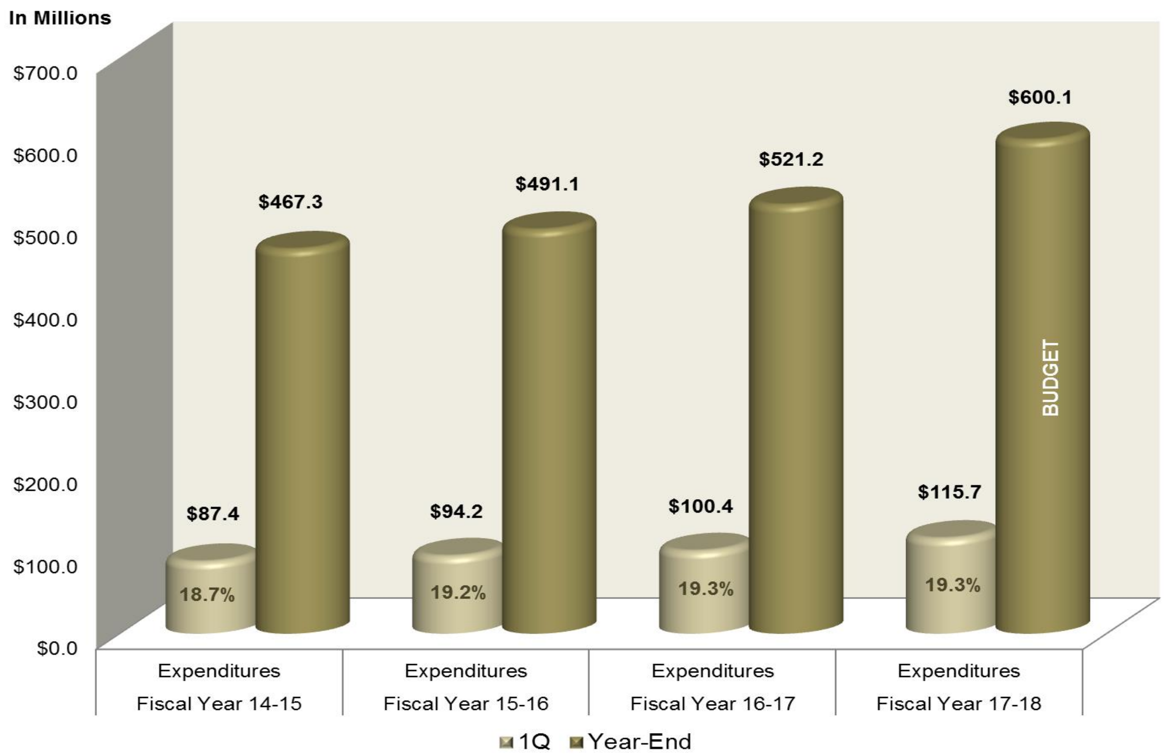
A Healthy Community
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of September 30, 2017, expenditures totaled $115.7 million, representing 19.3% of the budgeted appropriations. Actual expenditures identified at the first quarter point of the previous three years represented a range of 18.7% to 19.3% of the final annual expenditures, placing this year's expenditures on track by comparison.

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.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

HEALTH SERVICES AGENCY

The IHCP – Emergency Medical Services Physicians budget administers the Emergency Medical Services (EMS) Fund, known as the Maddy EMS Fund. Established in 1987 and financed through the collection of court fines, penalties, and forfeitures, the fund compensates health care providers for emergency services for people who have no insurance coverage or are otherwise unable to pay for the emergency care provided. The revenue for this fund is challenging to predict with accuracy. The receipts for Fiscal Year 2016-2017 exceeded projections, resulting in accumulated fund balance, and a review of current year projections has identified an increase in estimated revenue for Fiscal Year 2017-2018.

The Department is requesting an increase in appropriations of $172,320 in order to reimburse physicians for outstanding emergency care costs, offset by an increase in Fiscal Year 2017-2018 estimated revenue of

$72,000 and the use of $100,320 in fund balance resulting from prior-year revenue received. This fund has sufficient fund balance to support this budget adjustment, with a minimal balance remaining; as a pass-through budget, fund balance is not required.

Budget Unit Name	Requested				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
HSA-IHCP EMS Physicians	$72,000	$172,320	$100,320	$0	Increase appropriations to distribute timely reimbursement to emergency physicians for costs incurred but not covered by insurance or afforded by the patient, offset by an increase in estimated revenue and the use of fund balance accumulated from prior year revenue.
Total	**$72,000**	**$172,320**	**$100,320**	**$0**	

Summary of Recommendations: It is recommended to increase appropriations by $172,320, funded by an increase in estimated revenue of $72,000 and the use of $100,320 in departmental fund balance.

A Strong Local Economy

CEO-Economic Development Bank
Library
Workforce Development

A Strong Local Economy

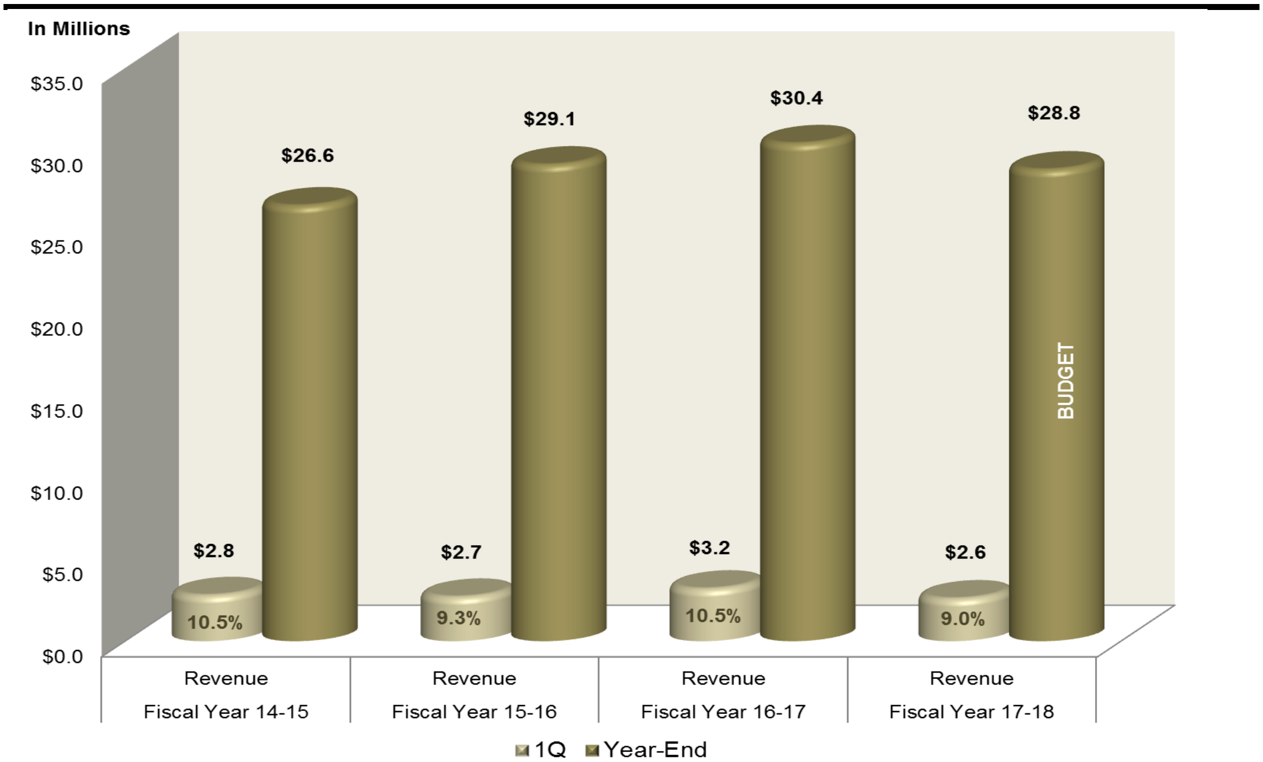
OVERVIEW

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 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 A Strong Local Economy. Departments and programs assigned to this priority area include: Chief Executive Office - Economic Development Bank, Library, and Workforce Development. The Workforce Development'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 September 30, 2017, actual revenue collected is $2.6 million, which represents 9.0% of the estimated annual revenue. This is slightly below the range when compared to the first quarter of the prior three years when collections were 9.3% to 10.5% of the final actual revenue. This is primarily the result of less revenue collected in Workforce Development – StanWORKS, consistent with the current year Workforce Development - StanWORKS expenditures.

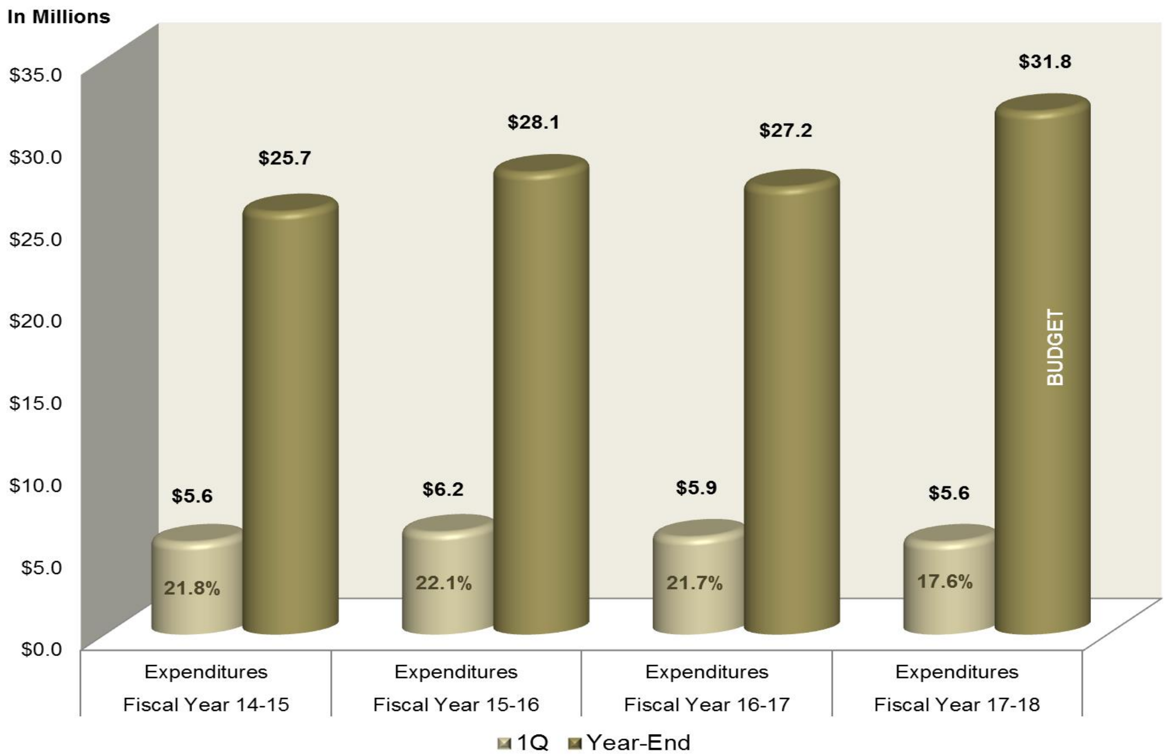
A Strong Local Economy
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of September 30, 2017, expenditures are $5.6 million, representing 17.6% of the budgeted appropriations. Expenditures at the first quarter point of the prior three years ranged from 21.7% to 22.1% of the final actual expenditures, placing this year below the range. This is primarily the result of deferred maintenance projects for the Library that have been budgeted but not yet completed and the timing of invoices in Workforce Development – StanWORKS.

A Strong Local Economy
Four-Year Expenditure Comparison



Overall, estimated revenue and appropriations for the Board of Supervisors' priority area of A Strong Local Economy are projected to meet budget at year-end.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

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

A Strong Agricultural Economy/Heritage

Agricultural Commissioner
Cooperative Extension

A Strong Agricultural Economy/Heritage

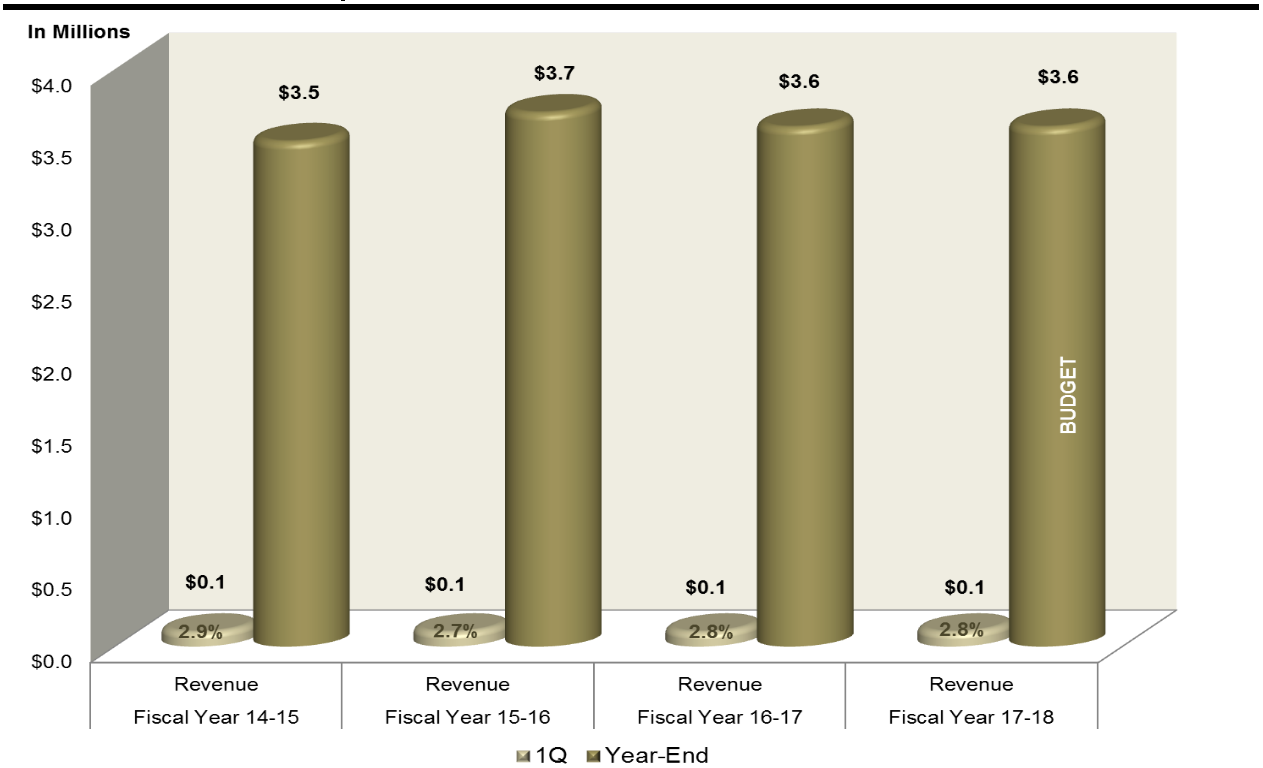
OVERVIEW

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 over $3.2 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 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 includes 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.

DEPARTMENTAL REVENUE

As of September 30, 2017, actual revenue collected is $82,519, which represents 2.8% of the estimated annual revenue. This is within the range when compared to the first quarter of the prior three years when collections were 2.7% to 2.9% of the final actual revenue.

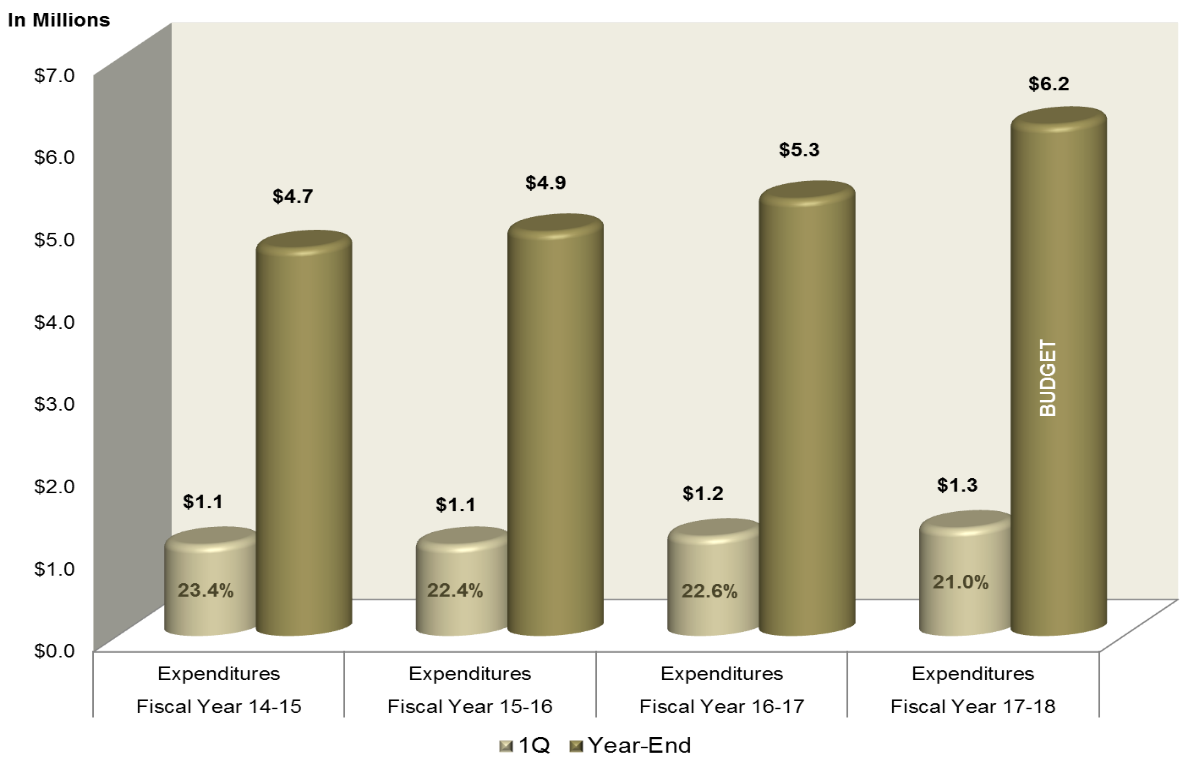
A Strong Agricultural Economy/Heritage
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of September 30, 2017, expenditures are $1.3 million, representing 21.0% of the budgeted appropriations. Expenditures at the first quarter point of the prior three years ranged from 22.4% to 23.4% of the final actual expenditures, placing this year below the range. The variance is due to the Agricultural Commissioner's budgeted $1.1 million Net County Cost savings that the Department does not anticipate exhausting in Fiscal Year 2017-2018.

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 meet budget at year-end.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

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

A Well Planned Infrastructure System

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

A Well Planned Infrastructure System

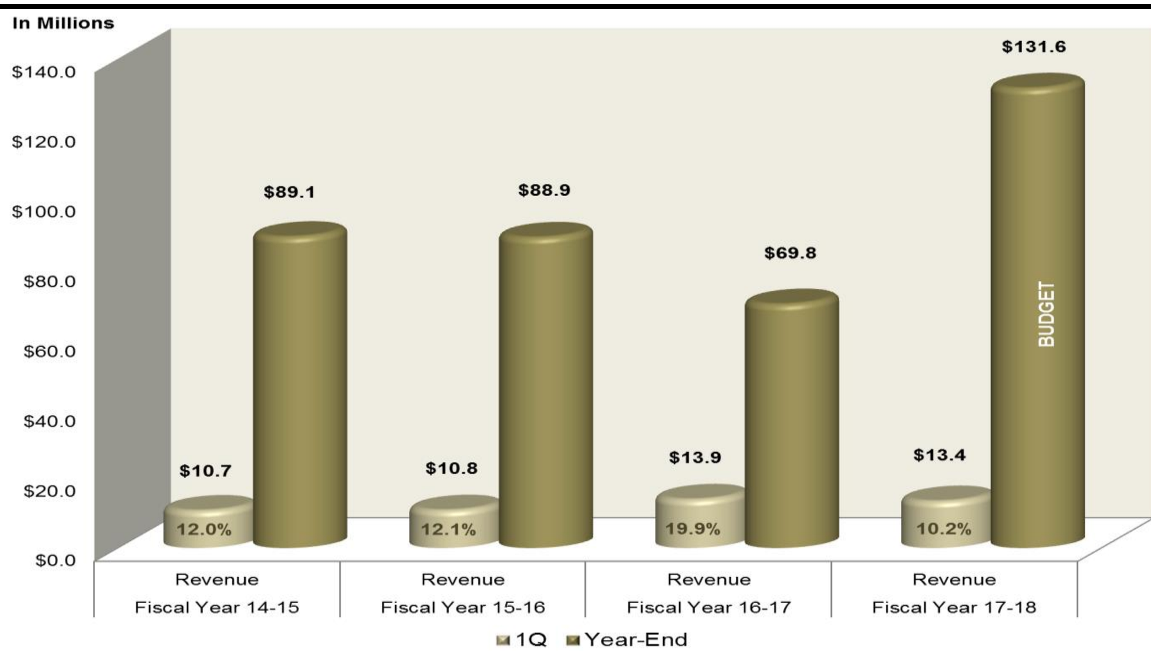
OVERVIEW

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 September 30, 2017, actual revenue collected is $13.4 million, which represents 10.2% of the estimated annual revenue. This is below the range when compared to the first quarter of the prior three years when collections ranged from 12.0% to 19.9% of the final actual revenue.

A Well Planned Infrastructure System
Four-Year Revenue Comparison

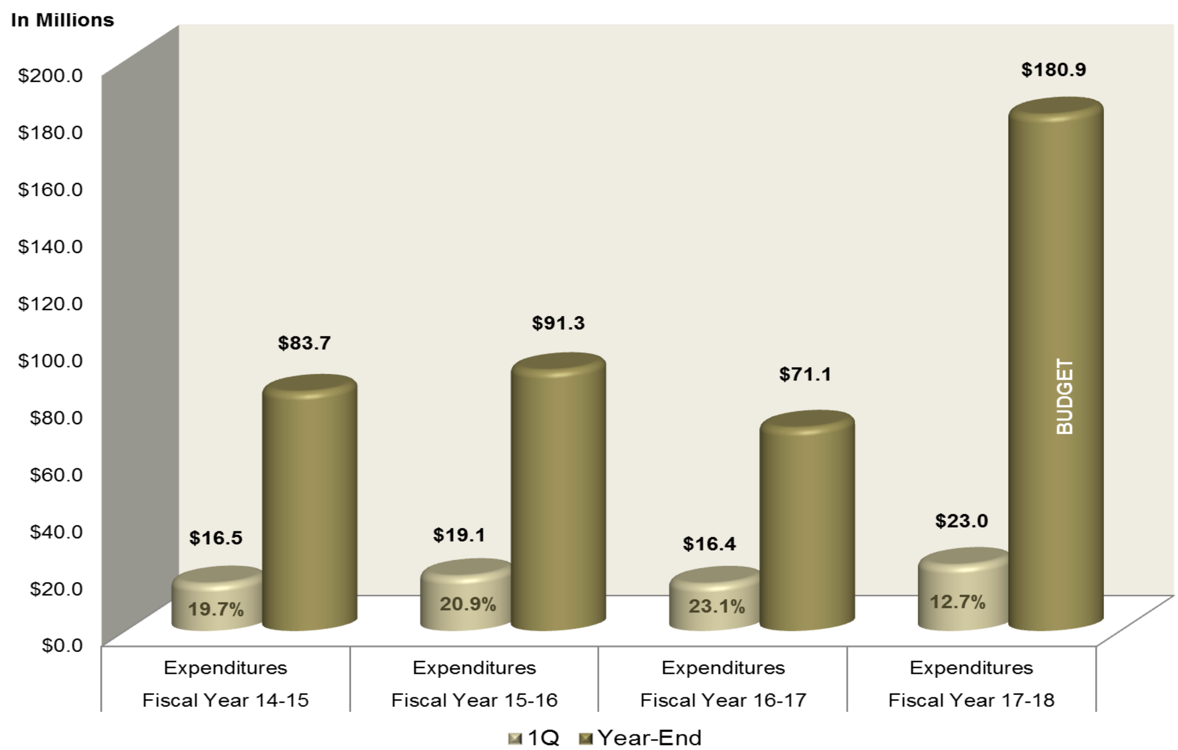


This lower percentage is primarily due to the delay in Measure L and Senate Bill 1 funding for eleven road and bridge projects, and nine roadway surfacing projects budgeted this fiscal year. Road capital projects are fully budgeted in the current year; however, actual revenue occurs over multiple years.

DEPARTMENTAL EXPENDITURES

As of September 30, 2017, expenditures are $23.0 million, representing 12.7% of the budgeted appropriations. Expenditures at the first quarter of the prior three years ranged from 19.7% to 23.1% of the final actual expenditures, placing this year's expenditures below the range. The lower percentage at first quarter compared to the same time last year is primarily due to the timing of road projects. Projects are fully budgeted in the current year; however, actual expenditures occur over multiple years. The Measure L Sidewalk Project which consists of four construction area projects is scheduled for completion in the Fall of 2018.

A Well Planned Infrastructure System
Four-Year Expenditure Comparison



Overall, appropriations and estimated revenue for the Board of Supervisors' priority area of A Well Planned Infrastructure System are projected to meet budget at year-end.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

PLANNING

Staffing Requests: The Department submitted a request in the 2017-2018 Adopted Proposed Budget for a classification study of one Associate Planner position in the Planning Division. The study has been completed and it has been determined that this position is no longer working in the capacity of an Associate

Planner. This position represents the Department in many Community and Board meetings and mirrors the decision-making authority of other Senior Planners (Manager III) within the Department. This position will be funded from the Community Development Block Grant and Federal/State Emergency Solutions Grant funding.

PLANNING AND COMMUNITY DEVELOPMENT					
BUDGET UNIT NAME	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Planning	0	8761	Associate Planner	Reclassify upward	Manager II/III-BB

Recommendation: It is recommended that the staffing change described and outlined in the table above be adopted.

PUBLIC WORKS

In the Fiscal Year 2017-2018 Adopted Final Budget, the Department received approval to purchase an asphalt patch truck, bridge panel truck, and chipper. The Department is requesting instead to purchase a street sweeper, a lowboy trailer, and a boom mower attachment. These fixed asset purchases are supported within the Adopted Final Budget appropriations, and funded by the use of $535,644 in Morgan Shop retained earnings. The retained earnings balance as of September 30, 2017 was $11.8 million. No budget adjustment is needed.

Efficient Delivery of Public Services

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

Efficient Delivery of Public Services

OVERVIEW

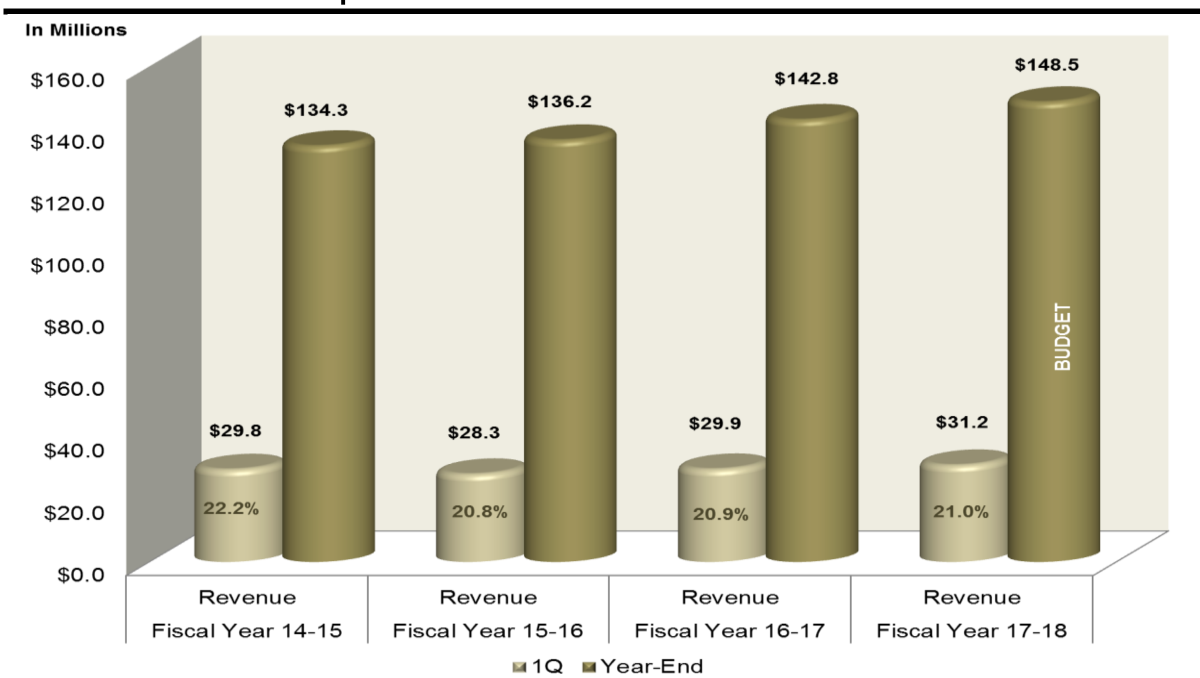
Efficiency is a critical element in the effective operation of government agencies and allows for the sustained provision of valuable services to the community. County departments provide a multitude of services to a diverse customer base. These customers expect government to be responsive to their needs and 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 Efficient Delivery of Public Services include 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 and sales tax, fees, franchises, charges for services, and a variety of other discretionary sources.

DEPARTMENTAL REVENUE

For the departmental budgets that make up the Board of Supervisors' Efficient Delivery of Public Services priority area, the actual revenue collected as of September 30, 2017, totaled $31.2 million. This represents 21% of the estimated annual revenue and is within the normal range when compared to the first quarter point of the prior three years when collections ranged from 20.8% to 22.2% of the final actual revenue.

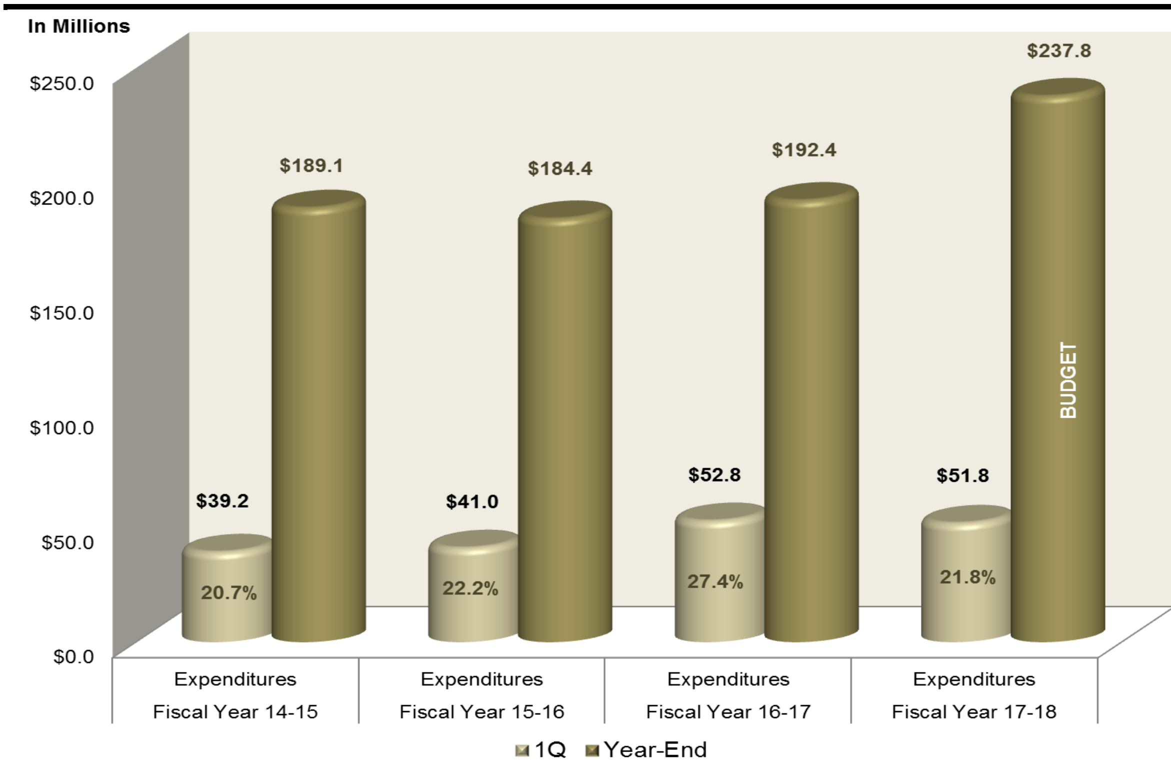
Efficient Delivery of Public Services
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of September 30, 2017, expenditures totaled $51.8 million, representing 21.8% of the budgeted appropriations. Expenditures at the first quarter point of the prior three years ranged from 20.7% to 27.4% of the final actual expenditures, placing this year within the normal range.

Efficient Delivery of Public Services
Four-Year Expenditure Comparison



Overall, the departments within Efficient Delivery of Public Services are on track to end the year within budget.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

CHIEF EXECUTIVE OFFICE – COUNTY OPERATIONS

Appropriations for Contingencies – This budget serves as the contingency fund for Stanislaus County. The purpose of Appropriations for Contingencies is to provide funds to meet unexpected and emergency financial exposures, which may arise during the fiscal year for reductions in Federal and/or State revenue, a sudden downturn in the economy, or other unforeseen program and community needs. The transfer of funds from Appropriations for Contingencies to departmental operating budgets requires a four-fifths vote of the Board of Supervisors. The 2017-2018 Adopted Final Budget included a total of $13,943,669 in appropriations for use during the fiscal year, to include:

- Salary costs not included through the Zero-Based Budget process for Phase II General Fund departments, including rebates for departments that do not experience a 5% vacancy rate and reimbursement for termination cash-outs;

- Estimated 2018 health insurance increases, potential labor exposure, and possible retirement increases; and

- Jail Medical for the use of the Outpatient Housing Unit in the Sheriff Detention facilities.

At this time, it is requested that appropriations totaling $26,939 be transferred to the Public Defender for the purchase of computer tablets.

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	($26,939)	$0	($26,939)	Transfer to the Public Defender for the purchase of computer equipment
Total	**$0**	**($26,939)**	**$0**	**($26,939)**	

Summary of Recommendations: It is recommended to transfer appropriations of $26,939 from Appropriations for Contingencies, by a fourth-fifths vote of the Board of Supervisors. If the requested use of $26,939 is approved, a remaining balance of $13,916,730 would be available for use through June 30, 2018.

TREASURER-TAX COLLECTOR

The Board of Supervisors approved the Auditor-Controller to be the Interim Treasurer-Tax Collector as of August 1, 2017, for the remainder of the unexpired term of office, until January 7, 2019. This interim assignment will continue on a temporary basis until the position is filled through the upcoming election of the new Treasurer-Tax Collector in June 2018. The current department administration has reviewed and adjusted the Administration Cost Allocation for all Treasurer-Tax Collector Department divisions to charge the cost of doing business equitably and fairly to the benefiting users. This new allocation formula will increase charges to the Revenue Recovery Division and decrease charges to the Treasury Division in keeping with the actual cost of administrative support services provided to these divisions. The Revenue Recovery customers consist of the Stanislaus County Courts, County departments including, Special Revenue and General Fund departments, and the Animal Services Agency. These departments will continue to be charged monthly fees, billed to customers based on actual collections. The new allocation formula for administrative costs may ultimately increase fees for customers, reflecting the actual current cost of doing business. In recent years, Revenue Recovery costs have been approximately $1.1 million, generating collections revenue averaging approximately $7 million per year. Even with the administrative cost allocation change, Revenue Recovery will remain a cost effective service for customers. For every $1 spent on Revenue-Recovery costs, more than $6 is collected for Revenue-Recovery customers.

Treasurer-Revenue Recovery Division - The Department is requesting an increase in appropriations of $175,300, offset by an increase in estimated revenue of $121,062 from court fees and non-General Fund departments and $54,238 from intrafund transfers to General Fund departments to update and upgrade office equipment, technology, space and training for a safer and efficient workplace.

Treasurer-Treasury Division – The Department is requesting to increase appropriations by $11,000 offset by reduced allocation of administrative costs in the amount of $73,000; this will generate decreased interest revenue by $62,000 and support updated and upgraded equipment, and staff training.

The following table provides a summary of recommended adjustments for budgets within the Treasurer-Tax Collector office.

Budget Unit Name	Requested Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	Description
Treasurer - Revenue Recovery		$65,300		$65,300	Increase appropriations for operational cost such as office reconfiguration, office equipment, computer equipment and contracts
Treasurer - Revenue Recovery		$25,000		$25,000	Increase appropriations for Fixed Assets for the purchase of new computer software conversion
Treasurer - Revenue Recovery		$85,000		$85,000	Increase in Department Administrative Services including salary cost for Treasury-Tax Collector and the Confidential Assistant IV
Treasurer - Revenue Recovery	$121,062			($121,062)	Increase estimated revenue from court fees, uncollectable accounts, and government fund collection
Treasurer - Revenue Recovery		($54,238)		($54,238)	Increase intrafund collections transfer out-revenue from General Fund Departments
Treasurer - Treasury Division		$11,000		$11,000	Increase appropriations for operational cost such as office equipment, computer equipment, training and travel
Treasurer - Treasury Division		($73,000)		($73,000)	Adjustment-reduction to Allocation of Administrative Services
Treasurer - Treasury Division	($62,000)			$62,000	Decrease estimated Interest revenue
Total	**$59,062**	**$59,062**	**$0**	**$0**	

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue by $59,062 in the Treasurer-Tax Collector budgets.

FIRST QUARTER FINANCIAL REPORT CONCLUSION

The First Quarter Financial Report shows the County is balanced and actual performance is tracking well with the 2017-2018 Operating Budget and year-end projections. County staff will continue to monitor the 2017-2018 Fiscal Year budget operations and be prepared to make appropriate recommendations and changes at the Mid-Year Financial Report on March 6, 2018. Staff will also closely watch the monthly cash report issued by the State Controller to monitor State inflows of revenue. If more urgent budget adjustments are required prior to the Mid-Year Financial Report, staff will bring appropriate and timely recommendations to the Board of Supervisors for consideration.

BUDGET SCHEDULE

The following schedule is recommended for the 2017-2018 Mid-Year Financial Report:

- December 1, 2017 — Issue 2017-2018 Mid-Year Budget Instructions
- January 8, 2018 — Departments' Mid-Year Budget Submittals due to CEO
- March 6, 2018 — Mid-Year Financial Report to the Board of Supervisors