Third Quarter Financial Report July 2020 – March 2021

Board of Supervisors

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Submitted by Jody Hayes, Chief Executive Officer

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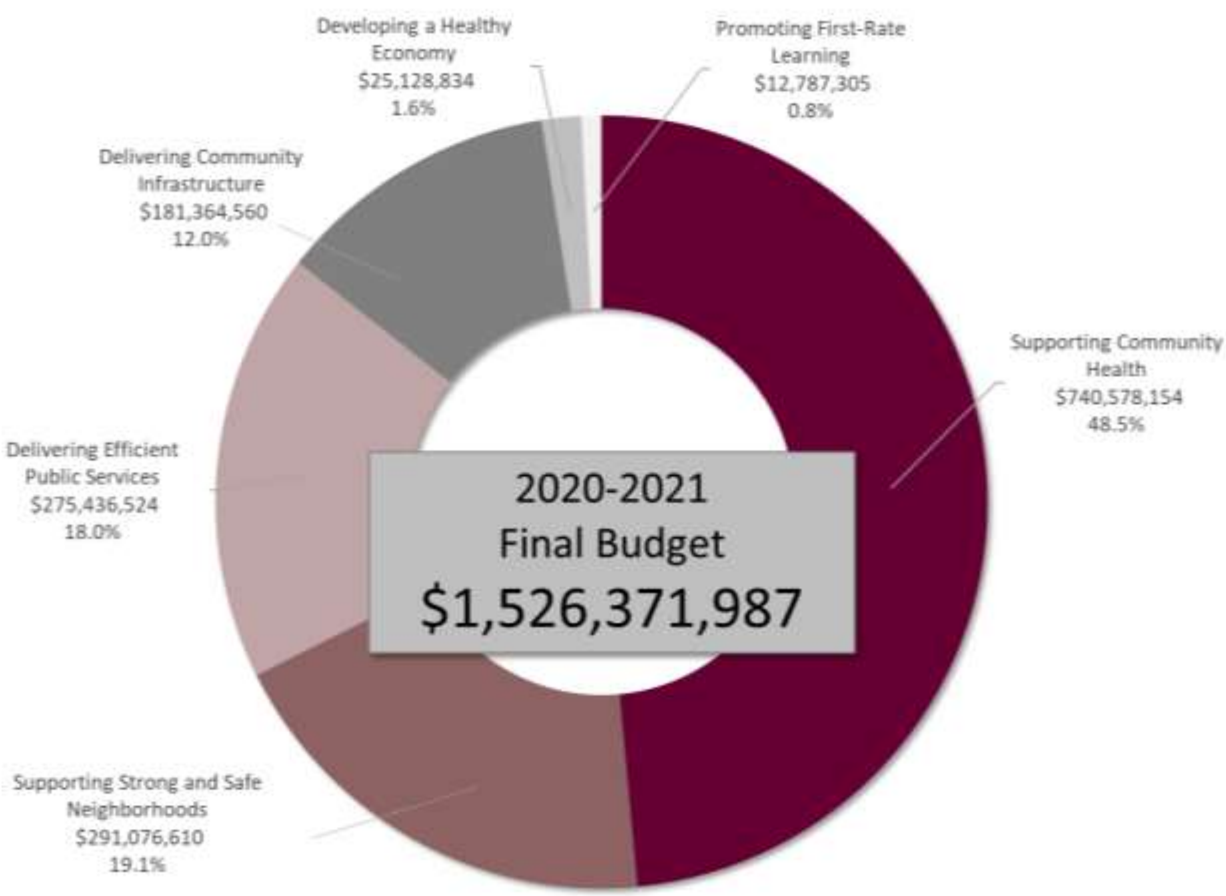
Introduction

This is the Fiscal Year 2020-2021 Third Quarter Financial Report for Stanislaus County submitted by the Chief Executive Office for the period of July 1, 2020 to March 31, 2021. It has been prepared to inform the Board of Supervisors, County leadership, and the public of the County's financial status. The report provides estimated revenue and expenditure summaries for County programs by each Board of Supervisors' priority area and highlights adjustments to County budgets since the adoption of the Final Budget in September 2020, which are necessary to end the year in a positive fiscal position.

Background

On September 22, 2020, the Board of Supervisors adopted the Fiscal Year 2020-2021 Final Budget for Stanislaus County. This $1.5 billion operational plan reflected an increase of $127.1 million, or 9.1%, over the 2019-2020 Adopted Final Budget. The 2020-2021 Adopted Final Budget was balanced using a combination of $1.4 billion in estimated revenue and $124 million in fund balance and one-time funding sources. It also included funding for 4,553 allocated full-time positions, an increase of 37 positions above the 2019-2020 Adopted Final Budget. The following chart reflects the total Adopted Final Budget Expenditures by the Board of Supervisors' priority areas:

Fiscal Year 2020-2021 Adopted Final Budget Expenditures by Board Priority

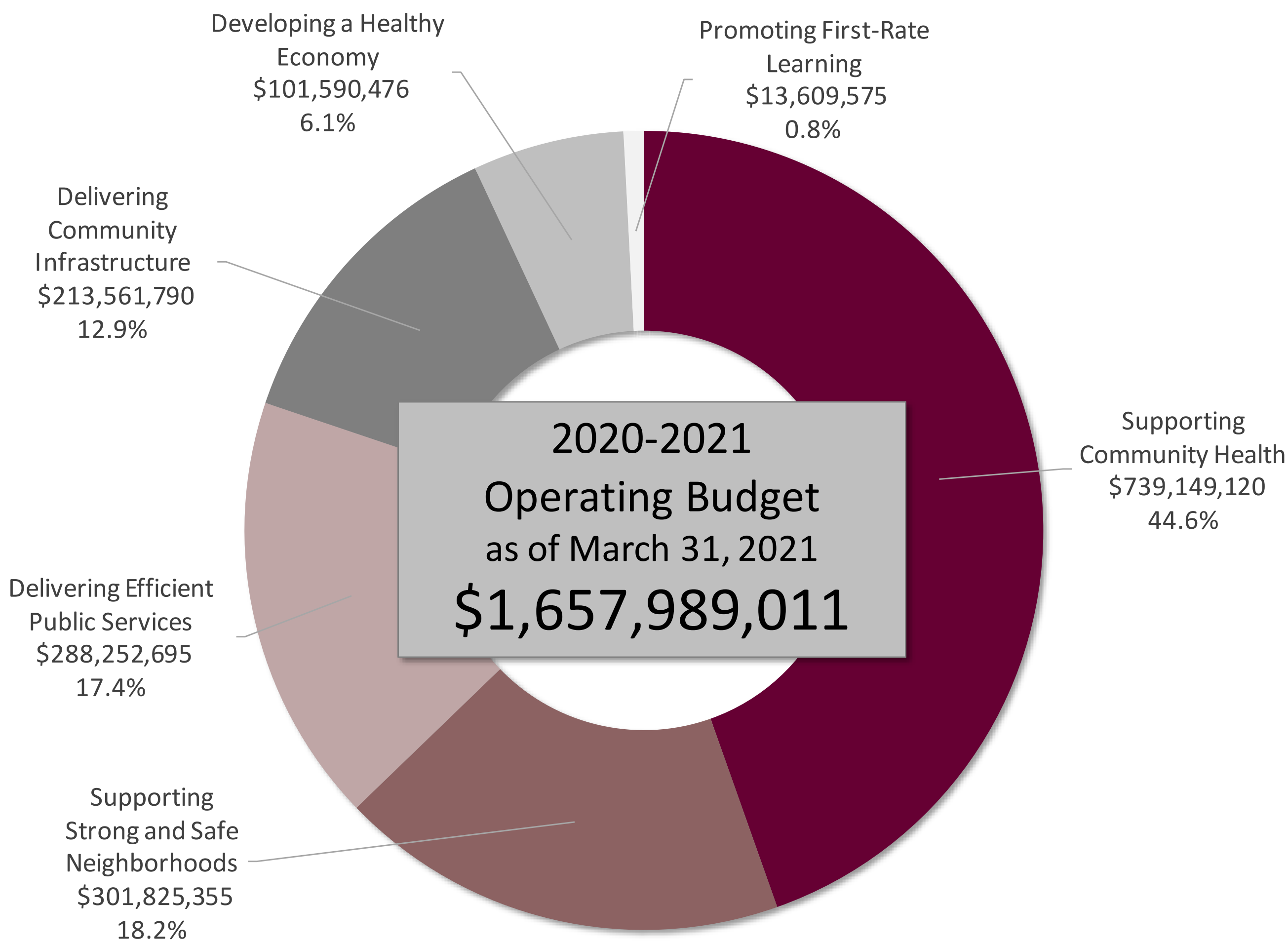


Summary of Budget Adjustments

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

Additionally, the Board of Supervisors approves budget adjustments identified in quarterly financial reports and separate departmental Board agenda items throughout the fiscal year. The sum of these adjustments through March 31, 2021, totals $131.6 million and includes $26 million in prior year appropriations carried forward and $105.6 million in budget adjustments approved by the Board of Supervisors in the current fiscal year. The following chart reflects the County's total Operating Budget of $1.7 billion as of March 31, 2021:

Fiscal Year 2020-2021 Operating Budget as of March 31, 2021 by Board Priority



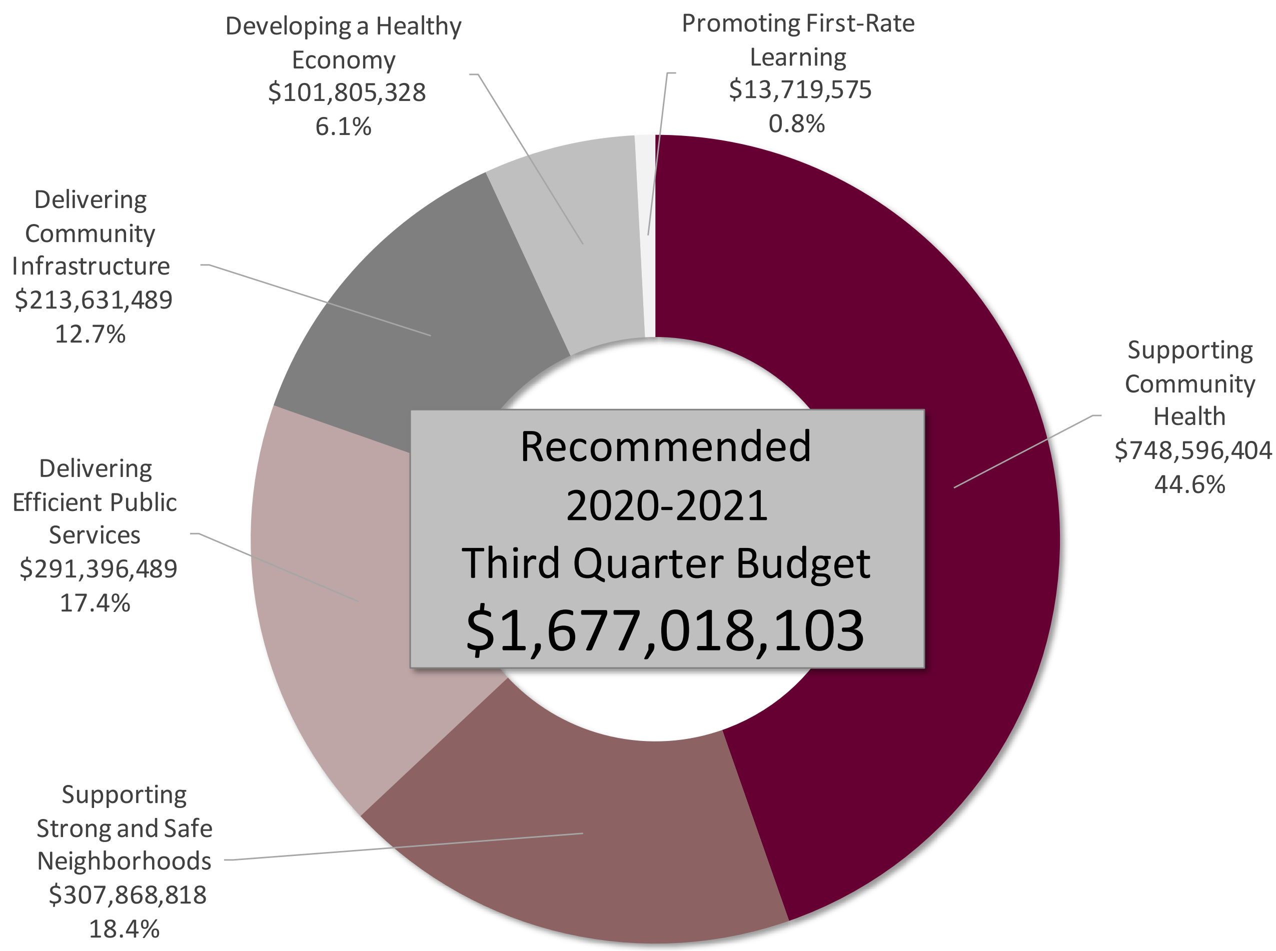
2020-2021 Third Quarter Financial Report Overview

The 2020-2021 Third Quarter Financial Report serves as a fiscal review of departmental programs and includes recommended adjustments to ensure that all departments complete the fiscal year within their approved budgets. The report also includes a brief analysis on multi-year trends for both revenue and expenditures by Board priority area. Additionally, updates are provided on Discretionary Revenue and staffing vacancy rates for General Fund departments along with preliminary estimates on carryover appropriations for the Performance Visioning Carryover Savings program.

The recommendations presented in the Third Quarter Financial Report include a total increase in estimated revenue of $19 million and a net $20.8 million in increased appropriations. Adoption of the recommendations included in this report will result in an overall $1.8 million decrease in the use of fund balance. Third Quarter recommendations include a total increase in appropriations of approximately $23.7 million, offset by the use of $4.7 million in transfers from Appropriations for Contingencies. These transfers will provide support to various General Fund departments to cover vacancy rate rebates, termination cash-outs, and other unanticipated needs. The transfer of Appropriations for Contingencies requires a four-fifths vote by the Board of Supervisors. If approved, approximately $6.1 million in available funding will remain in Appropriations for Contingencies for use throughout the balance of Fiscal Year 2020-2021.

The chart on the following page depicts the $1.7 billion recommended Third Quarter Budget, inclusive of the recommended budget adjustments that are described in greater detail by department in subsequent sections of the report. Consistent with past practice, the budget is organized by Board priority area.

Fiscal Year 2020-2021 Recommended Third Quarter Budget Expenditures by Board Priority



Consistent with standard accounting practices, the County's budget is divided into separate financial entities known as "funds". The following table provides a summary of recommended adjustments included in the Third Quarter Financial Report by fund type, showing the progression from the 2020-2021 Adopted Final Budget to the Recommended Third Quarter Budget:

Summary of Third Quarter Appropriation Adjustments by Fund Type

Fund Type	2020-2021 Adopted Final Budget	2020-2021 Third Quarter Operating Budget	2020-2021 Third Quarter Adjustments	Recommended 2020-2021 Third Quarter Budget
General Fund	$ 396,287,342	$ 486,686,311	$ 9,151,808	$ 495,838,119
Special Revenue	913,839,462	$ 946,697,713	9,291,158	955,988,871
Capital Projects	799,692	$ 799,692	-	799,692
Enterprise	83,718,878	$ 87,006,871	476,126	87,482,997
Internal Service	131,726,613	$ 136,798,424	110,000	136,908,424
Total	**$ 1,526,371,987**	**$ 1,657,989,011**	**$ 19,029,092**	**$ 1,677,018,103**

General Fund

The General Fund Recommended Third Quarter Budget for Fiscal Year 2020-2021 is $495.8 million, a net increase of $9.2 million over the Third Quarter Operating Budget. This change represents an overall total increase of $13.9 million in departmental adjustments offset by a $4.7 million transfer from Appropriations for Contingencies, for a net increase of $9.2 million.

The recommended increases Include: $7.8 million County Operations - General Match Vehicle License Fees to support pass through of matching revenue to departments, $3.6 million to various General Fund departments as a rebate of the vacancy rate reduction included at Final Budget, and $2.3 million to various departments related to COVID-19 expenses funded with CARES Act Coronavirus Relief Fund (CRF), along with a net increase of $160,533 for various other General Fund Department requests.

Special Revenue Funds

The Special Revenue Fund Recommended Third Quarter Budget for Fiscal Year 2020-2021 is $956 million, an increase of $9.3 million from the current Operating Budget.

The recommended increases include $8.7 million for Health Services Agency - Public Health for Emergency Operations Center (EOC) costs; $300,000 for Behavioral Health and Recovery Services (BHRS) and BHRS - Managed Care budget units for contracted services and implementation of an updated cost allocation methodology; $130,484 for Area Agency on Aging for services related to state funding; $110,000 for the Library to support costs for staff assigned to EOC operations; and $10,000 for Planning - Dangerous Building Abatement to fund the clean up of dangerous properties in the County.

Capital Projects Funds

The Capital Projects Fund Recommended Third Quarter Budget for Fiscal Year 2020-2021 totals $799,692. This figure is consistent with that budgeted in the current Operating Budget; there are no recommended adjustments at this time.

Enterprise Funds

The Enterprise Funds Recommended Third Quarter Budget for Fiscal Year 2020-2021 is $87.5 million, a net increase of $476,126 over the Third Quarter Operating Budget.

Included in the increase is $200,000 in appropriations and estimated revenue for Sheriff Detention Center Jail commissary purchases made by inmates which have been greater this fiscal year than in years past.

An increase of $276,126 funded by $51,126 of CARES Act CRF funds and $225,000 of Epidemiology and Laboratory Capacity Enhancing Detection Funding is included for the Health Services Agency to fund Emergency Operations Center costs related to the COVID-19 emergency response.

Internal Service Funds

The Internal Service Funds Recommended Third Quarter Budget for Fiscal Year 2020-2021 is $136.9 million, an increase of $110,000 from the current Operating Budget in support of Public works – Morgan shop for the purchase of three generators previously approved and funded in Fiscal Year 2019-2020 but not encumbered. This increase is funded with Department fund balance.

Fund Balance

The beginning fund balance for all funds on July 1, 2020 was $638.1 million. The 2020-2021 Adopted Final Budget included the planned use of $124 million in fund balance. Adjusted to include prior year encumbrance carryovers and Board of Supervisors' actions approved through March 31, 2020, a total of $118.3 million in the use of fund balance is projected for all departments in the current Operating Budget.

The recommendations contained in the Third Quarter Financial Report include adjustments that will decrease the use of fund balance by an overall $1.8 million. This includes a return of $2.4 million to the General Fund for increases in Discretionary

Revenue due primarily to forecast growth in estimated sales tax, offset by $1.1 million net impact of lost and delayed revenue from Parks fees due to park closures, and Court fees and bail bond forfeitures delayed due to Court operational impacts from the COVID-19 emergency. Further, savings of $844,717 is due to general fund balance return by HSA-Public Health for receipt of additional 1991 realignment revenue which offset their Net County Cost. Additionally, the General Services Agency reduced their revenue budget by $290,000 to account for less billable hours to departments in the fiscal year and will rely on additional fund balance of the same at year end. Public works – Morgan shop is using $110,000 in fund balance for the purchase of three generators previously approved and funded in Fiscal Year 2019-2020 but not encumbered. This increase is funded with Department fund balance.

Inclusive of the budget adjustments identified in this Third Quarter Financial Report, projected fund balance on June 30, 2020, is forecast to be $521.6 million across all funds. The following chart presents the beginning and projected year-end fund balance by fund type and in total:

Summary of Fund Balance by Fund Type

Fund Type	Beginning Fund Balance on 7/1/2020*	Operating Budget Revenue on 3/31/2021	Operating Budget Appropriations on 3/31/2021	Third Quarter Recommended Use of Fund Balance	Projected Fund Balance on 6/30/2021
General Fund	$ 222,462,467	$ 457,822,785	$ 486,686,311	$ (2,176,330)	$ 195,775,271
Special Revenue Funds	268,073,501	883,011,255	946,697,713	-	204,387,043
Capital Projects Funds	3,806,216	680,000	799,692	-	3,686,524
Enterprise Funds	107,670,407	71,150,056	87,006,871	-	91,813,592
Internal Service Funds	36,113,282	126,983,378	136,798,424	400,000	25,898,236
Total All Funds	**$ 638,125,873**	**$ 1,539,647,474**	**$ 1,657,989,011**	**$ (1,776,330)**	**$ 521,560,666**

**Note: The Final Budget document reported a total beginning fund balance of $621,839,207. Since that time, post-closing adjustments totaling $16,286,666 have been posted for all funds which resulted in a revised beginning fund balance of $638.1 million, as depicted above. Significant post-closing adjustments included pension expenses for the Enterprise and Internal Service Funds associated with GASB 68; interest accruals and fair market value adjustments for all funds; additional Discretionary Revenue in the General Fund; and increased Risk Management Liability amounts in the Internal Service Funds, among others.*

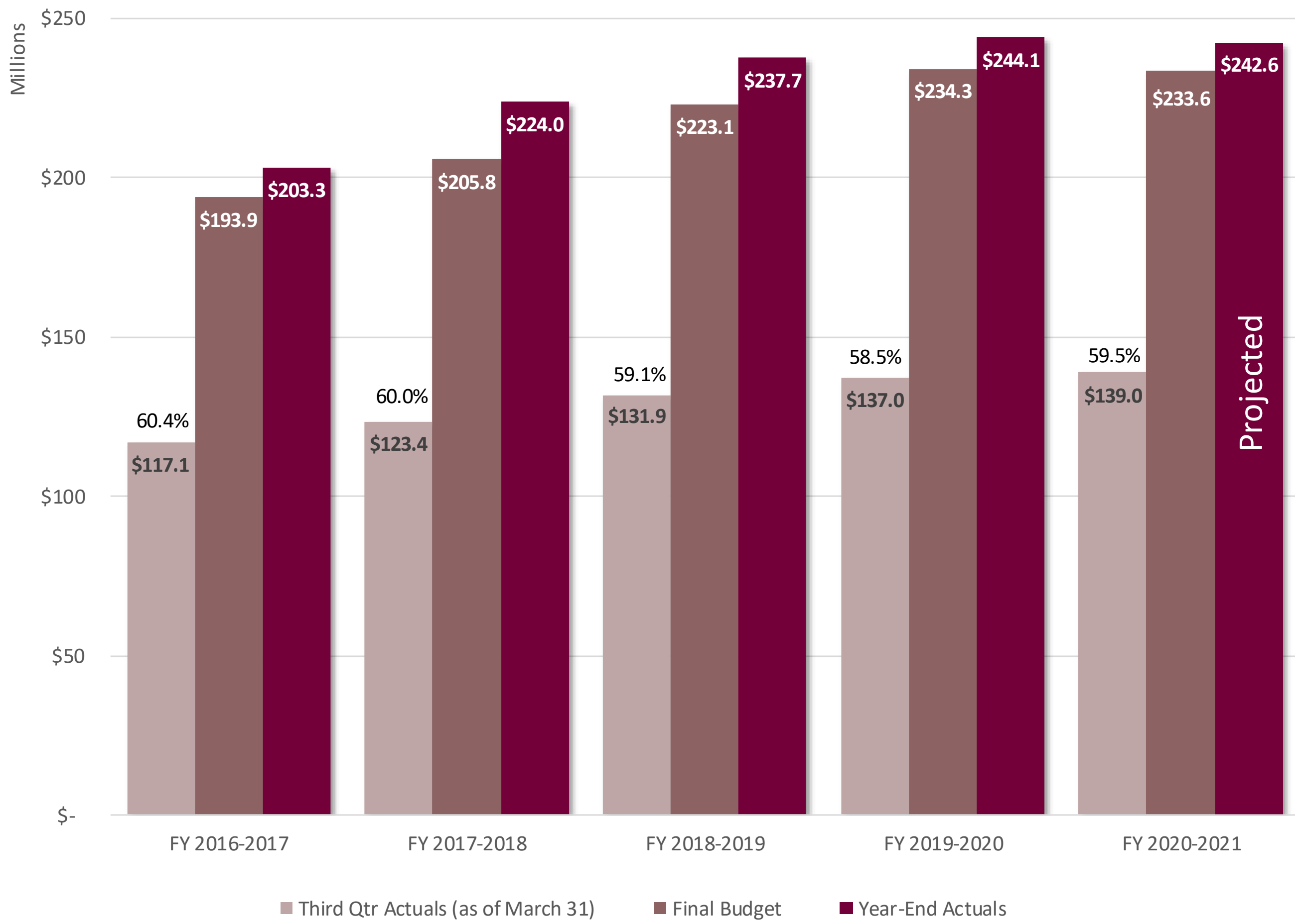
Discretionary Revenue

Discretionary Revenue refers to revenue received in the General Fund that is available to fund programs at the Board of Supervisors' discretion. Total Discretionary Revenue included in the 2020-2021 Adopted Final Budget was projected at $233.6 million and was adjusted using updated projections to $238.9 million in the First Quarter Financial Report and to $240.2 million in the Midyear Financial Report. After review of receipts through March 31, 2021, it is recommended to increase the budget at Third Quarter by $2.4 million to a total of $242.6 million.

As of March 31, 2021, approximately $139 million in revenue has been received, representing 59.5% of that projected in the Final Budget. Over the past four years, Discretionary Revenue collected through third quarter ranged from 58.5% to 60.4% of the Final Budget projection, placing this year's receipts within the historical range. Additionally, the four-year history shows that revenue realized through third quarter ranged from 55.1% to 57.6% of actual year-end total receipts. Revenue received through March represents 57.3% of the year-end estimate updated at Third Quarter.

The following chart provides a five-year comparison of activity noted at third quarter, including current and previous years' data showing nine months of revenue receipts. The Adopted Final Budget and year-end actuals for the previous four years are also identified, with projections noted for Fiscal Year 2020-2021.

General Fund – Discretionary Revenue Five-Year Comparison



Third quarter analysis of Discretionary Revenue includes an evaluation of year-to-date data using nine months of receipts along with projections using historical trends and analysis from outside consultants.

Taxes

The Taxes revenue category identifies revenue provided to government that is received in support of local services and includes taxes levied upon property, sales and use, and transient occupancy tax. Projections total $180.5 million, which represents an increase of $2.4 million in this category.

Overall, current secured property taxes are estimated to be received as budgeted. Supplemental property taxes and property transfer Sales and use tax revenue estimates were increased by $2.6 million in the First Quarter Financial Report and recommended to remain status quo at third quarter. The growth trend in the Sales and use taxes category identified in the Midyear Financial report has continued through March 2021. Sales and use taxes are budgeted at $28.5 million as of March 2021 and year-end projections based on historical trends range from $33 million to $36.1 million.

Reports for sales and use taxes have been produced by the County's Financial Consultants and consider potential impacts from COVID-19 emergency orders and legislation on consumer purchases and tax payments to the State. There are several competing factors that are not aligned with historical trends which make projections based on historical trends less reliable than pre-pandemic times. One example is the option for small businesses to defer sales tax payments to the State of California for up to $50,000 in sales and to make payments at zero percent interest if paid by April 2022. This could result in a slowdown of sales tax receipts. As a result, a conservative increase in this category of $2.4 million is recommended due to a stronger economic forecast locally and higher receipts projected as well as a desire to remain justifiably optimistic yet fiscally cautious during this uncertain time. This increase brings the total amount projected for Sales and use taxes to $30.9 million.

Discretionary Revenue Third Quarter Adjustments

Discretionary Revenue Category	Fiscal Year 2019-2020 Actuals	Fiscal Year 2020-2021 Final Budget	Fiscal Year 2020-2021 Operating Budget*	Third Quarter 2020-2021 Projections	Third Quarter Recommended Adjustments
Taxes	$ 173,614,723	$ 174,580,000	$ 178,080,000	$ 180,480,000	$ 2,400,000
Licenses, Permits, and Franchises	1,110,825	1,100,000	1,100,000	1,100,000	-
Fines, Forfeitures, and Penalties	2,687,844	1,100,000	1,100,000	1,100,000	-
Revenue from the Use of Money	12,149,814	5,400,000	5,400,000	5,400,000	-
Intergovernmental Revenue	48,660,859	45,120,000	47,820,000	47,820,000	-
Charges for Services	2,459,134	3,245,000	3,245,000	3,245,000	-
Miscellaneous Revenue	(270,176)	-	-	-	-
Other Financing Sources	3,651,212	3,060,000	3,460,000	3,460,000	-
Total Discretionary Revenue	**$ 244,064,235**	**$ 233,605,000**	**$ 240,205,000**	**$ 242,605,000**	**$ 2,400,000**

*As of March 31, 2021

Recommendation: It is recommended to increase Discretionary Revenue by $2.4 million, which will increase fund balance in the General Fund by the same amount.

Performance Visioning Carryover Savings

Implemented as a component of the two-year budget design, the Performance Visioning Carryover Savings (PVCS) program allows for savings from year one to transfer to year two for all General Fund departments, providing financial flexibility to support operations aligned with performance visioning within the two-year budget cycle. The transfer of savings is dependent upon a positive financial forecast.

As identified in the 2020-2021 Midyear Financial Report, the economic forecast for Stanislaus County is positive based on the evaluation of several key indicators. Therefore, carryover of General Fund departmental savings from Fiscal Year 2020-2021 into 2021-2022 is recommended. The transfer will occur in line with the 2021-2022 Final Budget using actual savings identified through the Fiscal Year 2020-2021 year-end close process. A fund balance assignment will be established in the General Fund at the end of the 2020-2021 Fiscal Year for approximately $8 million, set aside specifically for this purpose; preliminary carryover estimates total $7.5 million.

In Budget Year 2021-2022 departments will be required to use PVCS prior to requesting any additional General Fund Contribution. This is consistent with County policy identifying the General Fund as the payor of last resort. Department budget requests seeking additional General Fund support in the 2021-2022 Proposed and Final Budget processes will be reviewed in light of anticipated carryover savings. For the 2021-2022 Proposed Budget, identification of the potential use of carryover savings will be tracked internally for recommendations seeking additional General Fund support, to be deducted from the amount allocated at Final Budget. Requests during the 2021-2022 Final Budget process will also first rely on any realized PVCS savings prior to the issuance of additional General Fund contributions. Identified uses for PVCS funds will direct the allocation of appropriations to the appropriate cost category based on the request, with all remaining "unassigned" savings appropriated into an account in the Salaries and Benefits cost category.

The following table identifies the estimated carryover for each General Fund department and budget unit. The positive figures for PVCS estimate the amount that will be transferred to departments in September using the actual savings figures realized through the year-end process.

Summary of Performance Visioning Carryover Savings (PVCS) Projections

Department	Budget Unit	PVCS Estimate
Aging and Veterans Services*	Veterans Services	$ (156,595)
Agricultural Commissioner	Agricultural Commissioner	161,386
Assessor	Assessor	660,207
Auditor-Controller*	Auditor-Controller	(145,762)
Board of Supervisors	Board of Supervisors	297,428
Chief Executive Office**	Human Relations	(412,626)
Chief Executive Office**	Operations and Services	807,415
Clerk-Recorder	Clerk-Recorder	1,147,770
Clerk-Recorder	Elections	1,250,655
Cooperative Extension	UC Cooperative Extension	67,049
County Counsel	County Counsel	568,849
District Attorney	Criminal Division	816,379
Environmental Resources	Groundwater Program	(76,835)
General Services Agency	Administration	24,196
General Services Agency	ADA Self-Evaluation and Transition Plan Project	-
Parks and Recreation	Parks and Recreation	-
Planning and Community Development	Planning and Community Development	168,900
Probation	Administration	118,286
Probation	Field Services	1,337,346
Probation**	Institutional Services	(10,647)
Probation	Juvenile Commitment Facility	1,538,707
Public Defender	Public Defender	456,058
Sheriff**	Administration	177,449
Sheriff**	Adult Detention Expansion	(859,914)
Sheriff**	Detention	1,382,672
Sheriff**	Office of Emergency Services	(528,896)
Sheriff**	Operations	(1,363,085)
Treasurer-Tax Collector	Admin/Taxes	84,180
Total Projected PVCS Carryover		**$ 7,510,572**

**The Department is tracking Net County Cost closely and may request a year-end adjustment as needed.*

*** Transferability among departmental budget units has been recommended allowing the Department to ensure positive fiscal postiions for all budget units at year end.*

Vacancy Rates

All General Fund departments participated in the zero-base budget process at the beginning of Fiscal Year 2020-2021, wherein they identified their funded service level for operational costs, including all allocated staffing positions. Final budget calculations included a deduction to salaries and benefits using a 5% vacancy rate factor applied to departments containing 30 or more allocated positions. This practice is based on a ten-year historical analysis showing that the County experiences an average vacancy rate of 9.2%.

During the zero-based exercise which took place in February through May 2020, the impact of the COVID-19 emergency on County finances was largely unknown and although the vacancy rate deduction requirement for General Fund departments had been eliminated in Fiscal Years 2018-2019 and 2019-2020, it was reinstated for General Fund department budgets and a hiring freeze was implemented. Since then, the actual experience of the COVID-19 emergency impact on finances has not been as severe as originally anticipated. As a result, the hiring freeze has been lifted and County General Fund departments are able to receive a rebate of the vacancy rate deduction applied earlier in the year.

At 2020-2021 Third Quarter, actual fiscal year-to-date vacancy rates for General Fund departments averaged 8.7%. The following table identifies the nine-month average for all allocated positions and the resulting calculated average vacancy rate for each General Fund department and division using data from July 1, 2020 through March 1, 2021.

Departments experiencing a vacancy rate over 5% and up to 7.5% are recommended to receive a 50% rebate of their applied vacancy rate deduction while departments experiencing a 5% or lower vacancy rate are recommended to receive a 100% rebate. The resulting rebate amounts by department budget unit are shown in the table on the following page.

Vacancy Rate Rebates

Department	5% Vacancy Rate Deduction Applied in 2020-2021 Final Budget*	Actual Vacancy Rate as of 2/28/21	Vacancy Rate Rebate Amount
Agricultural Commissioner	$ 214,852	4.7%	$ 214,852
Assessor	331,120	12.2%	-
Auditor Controller	231,905	10.6%	-
CEO - Human Relations	93,659	2.2%	93,659
CEO - Operations and Services	359,983	14.4%	-
Clerk-Recorder	108,331	13.1%	-
Clerk-Recorder/Elections	66,964	7.9%	-
District Attorney - Criminal Division	962,990	13.3%	-
Parks and Recreation	240,348	5.5%	120,174
Planning	116,072	4.3%	116,072
Probation - Administration	151,193	10.1%	-
Probation - Field Services	609,715	14.9%	-
Probation - Institutions	294,771	13.6%	-
Probation - Juvenile Commitment Facility	147,437	18.4%	-
Public Defender	411,791	5.5%	205,896
Sheriff - Administration	480,812	4.8%	480,812
Sheriff - Adult Detention	563,231	5.0%	563,231
Sheriff - Detention	1,896,907	7.3%	948,454
Sheriff - OES/Fire Ward	49,363	11.1%	-
Sheriff - Operations	1,513,183	5.8%	756,592
Treasurer - Administration/Taxes	69,427	0.0%	69,427
Total Base Deduction/Average Rate/Rebate	**$ 8,914,054**	**8.7%**	**$ 3,569,169**

**Departments with fewer than 30 allocated staff were exempt from base deductions and not noted in this table.*

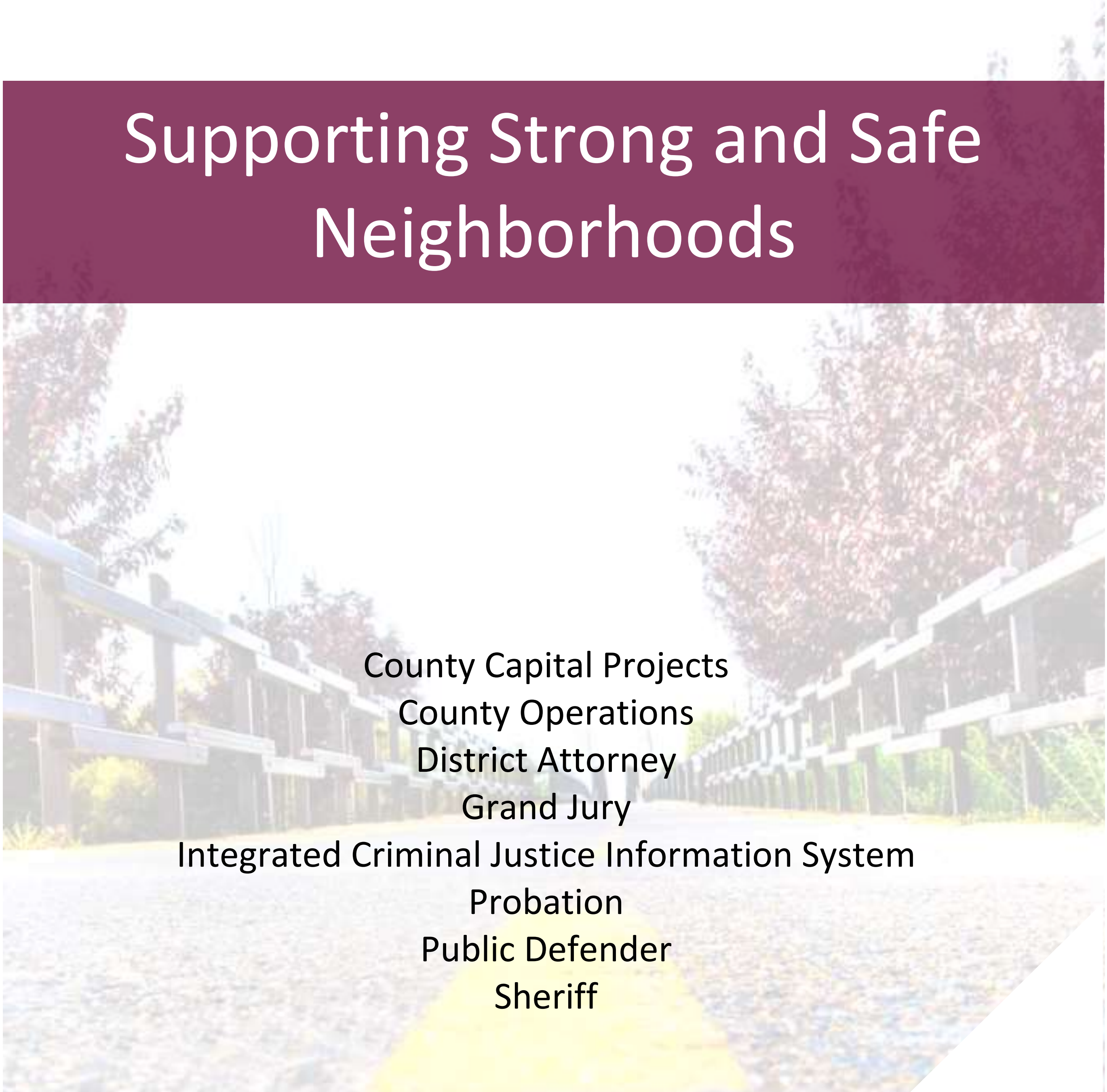
Challenges and Opportunities

- The impact of Federal and State financial policies and social spending pattern changes brought about by government and personal responses to the COVID-19 pandemic have made historical fiscal trends less reliable and predictable than in the past. Fiscal reserves are an important component of helping to smooth the impact of volitility from fiscal highs and lows. Fortunately, the County is well positioned to weather the impact of changing trends affected by policies like business sales tax payment deferrals and fluctuating unemployment impacts due to a healthy General Fund reserve which has helped support smoothing policies and poised departments to continue to deliver services with the confidence that these can be sustainably delivered.
- The Community Services Agency (CSA) continues to evaluate all space needs and requirements. Three specific facilities are currently under evaluation, West Modesto Paradise Medical Clinic, Hughson Community Services Office, and the Turlock EPIC Facility. At this time, CSA is recommending the termination of two lease agreements, West Modesto Paradise Medical Clinic and the Turlock EPIC Facility. Recommendations are expected to be finalized on the Hughson Community Services Office lease by May 31, 2021.

- **West Modesto Paradise Medical Clinic** - CSA is recommending termination of the lease agreement with the Health Services Agency (HSA) effective June 30, 2021. CSA's recommendation to terminate this lease agreement has been discussed with HSA from Fall 2019 through June 2020. Most services provided at this location were redirected to the Access Center upon its completion and opening in January 2020. In June 2020, the remaining staff and equipment were relocated to the CSA Community Services Facility due to the inability to make modifications to the facility that would meet requirements to comply with COVID -19 safety protocols. No services have been provided to the community through this location since June 2020. After an extensive evaluation of the services previously provided at the facility, safety and security concerns, and the modifications required to provide services to the public to improve employee and customer safety and comply with COVID-19 requirements, it is recommended to terminate the lease.
- **Turlock EPIC Lease** - The lease agreement with United Samaritans Foundation for the facility located at 220 South Broadway expires August 20, 2021. The Community Services Agency will not be renewing the lease. In April 2017, CSA entered into a new lease agreement for office space at 301 South Soderquiest Road. In April 2019, employees and training activities were relocated from 220 South Broadway to 301 Soderquiest. CSA pursued the concept of utilizing the 220 South Broadway facility as a Child Visitation Center for court ordered visits for families served through Child Welfare but determined that this facility does not meet the requirements for this purpose. United Samaritans and City of Turlock have expressed interest in utilizing this location to provide services and have voiced no concerns about CSA's plans to vacate the lease.
- **Hughson Community Office** - The lease agreement with the City of Hughson expires October 26, 2021. An evaluation is currently underway to assess the need for services in the Hughson community and if services can be provided in partnership with existing community-based organizations located in Hughson. This evaluation will inform the agency as to next steps, and a recommendation either to renew or terminate the lease. The evaluation will be completed no later than May 31, 2021. Effective March 20, 2020, this office was closed to the public due to the inability to make modifications to the facility that would meet requirements to comply with COVID -19 safety protocols; no services have been provided to the community through this location since last March. Employees and equipment were relocated to the CSA Community Services Facility.

- The Internal Audit Division of the Auditor-Controller Department performs critical activities to ensure fiscal transparency, accuracy and reliability. Two mandated services the division performs include quarterly review of the Treasury cash counts pursuant to California Government Code and the purchasing card audit performed annually pursuant to County Code. The Department is consistently challenged with staff retention in this division, which consists of a Manager IV and three Accountant III positions. As a specialized function, fewer qualified candidates reside locally. The Auditor-Controller is recommending to pilot a two-year program by contracting with a qualified independent audit firm to perform these two mandated services. Audits would be performed by an audit firm with oversight provided by the Department and results and recommendations reported to the Board of Supervisors by the Auditor-Controller. At the end of the pilot program period, the Department will evaluate this approach to determine whether these services will be contracted permanently or whether services will be resumed by the Department. The four postions in the division will remain vacant during the pilot period. Anticipated benefits of the pilot program include lower costs, increased efficiencies, and independent audits, noting potential disadvantages, including an unfamiliarity of County processes and procedures and possible continuity of staff within the audit firm, as firms experience similar turnover issues in this area. This recommended approach will allow the Auditor-Controller to accomplish the mandated audits through contracted services.

Supporting Strong and Safe Neighborhoods



County Capital Projects
County Operations
District Attorney
Grand Jury
Integrated Criminal Justice Information System
Probation
Public Defender
Sheriff

Supporting Strong and Safe Neighborhoods for Individuals and Families to Thrive

Priority Overview

Ensuring a safe community and protecting the safety of the residents of Stanislaus County continues to be a top priority of the Board of Supervisors. The departments within this priority area focus on the safety of our neighborhoods and strengthening our communities. The impact of gangs, drugs, and vagrancy directly contributes to the decline of the physical, economic, and social health of the County. Robust partnerships within the organization, local municipalities, and community-based organizations throughout the region can maintain effective public safety programs and the ability to respond to emergencies on behalf of our community.

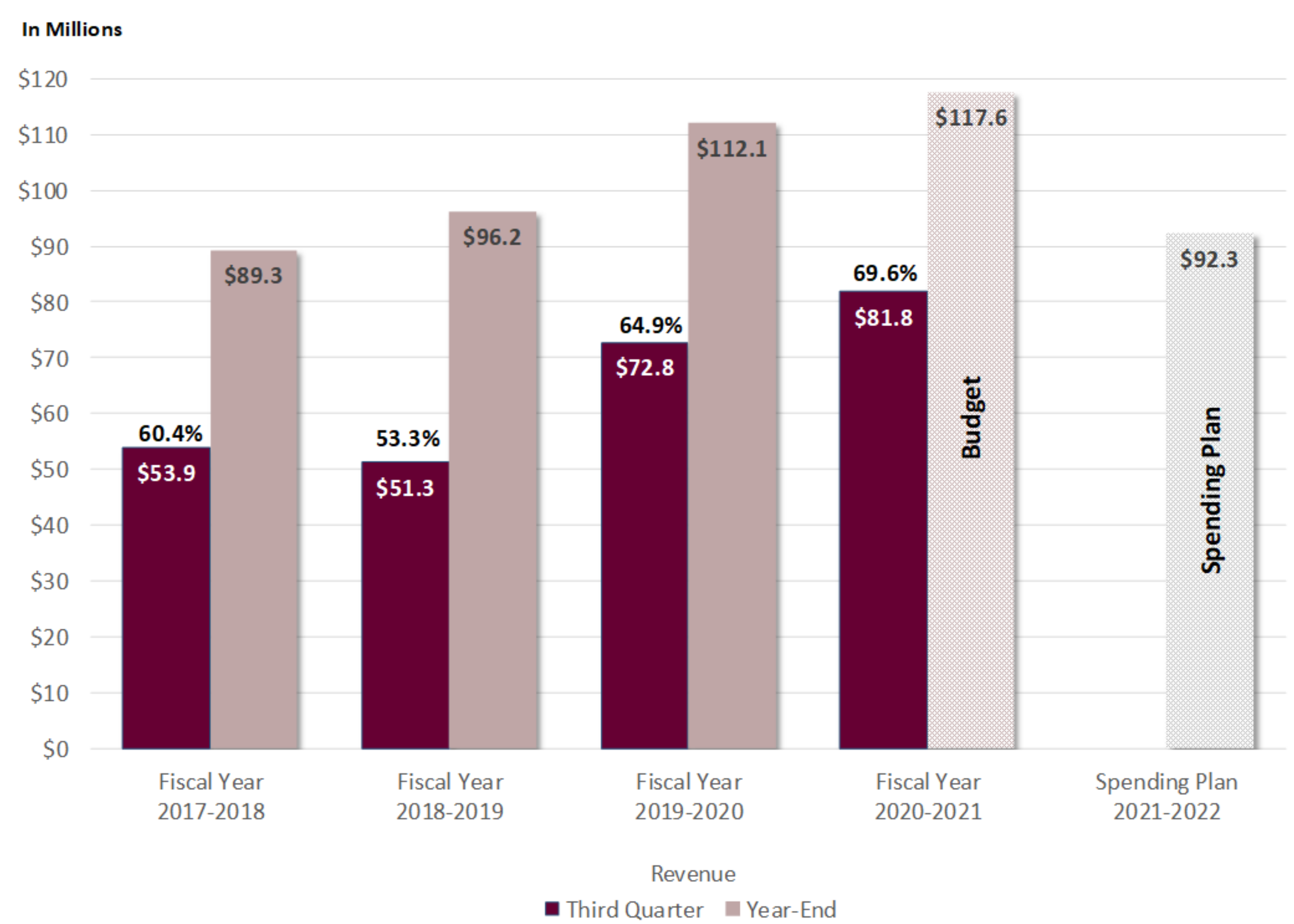
Departments assigned to the Board of Supervisors' priority area of *Supporting Strong and Safe Neighborhoods* include: District Attorney, Probation, Public Defender and Sheriff. The revenue used to pay for these services comes primarily from local taxes such as property tax and sales tax, fees, franchises, charges for services, and a variety of other discretionary revenue sources. Public Safety Sales Tax (Proposition 172) revenue is also used to partially fund the District Attorney, Probation, and Sheriff's Department budgets. These departments also receive dedicated funds for specific grant funded programs.

Overall, exclusive of the COVID-19 response the departments within the priority *Supporting Strong and Safe Neighborhoods* are on track to end the year within budget and in a positive fiscal position. Note the financial exposure to departments related to COVID-19 that could not be absorbed within the departments' existing budget is reflected in the recommended Third Quarter adjustments.

Departmental Revenue

For the departmental budgets that are part of the Board of Supervisors' priority area of *Supporting Strong and Safe Neighborhoods* as of March 31, 2021, actual revenue collected is $81.8 million, which represents 69.6% of the estimated annual revenue. This is higher than the range when compared to the third quarter point of the prior three years when collections ranged from 53.3% to 64.9% of the final actual revenue. Fiscal Year 2020-2021 reflects the benefit of State Pass-through CARES Act CRF funds of $12.8 million recognized in the Sheriff's Office budget for Presumptive Eligible costs that will generate Net County Cost savings. These savings are placed in a General Fund assignment, made available to support continued COVID-19 Pandemic response.

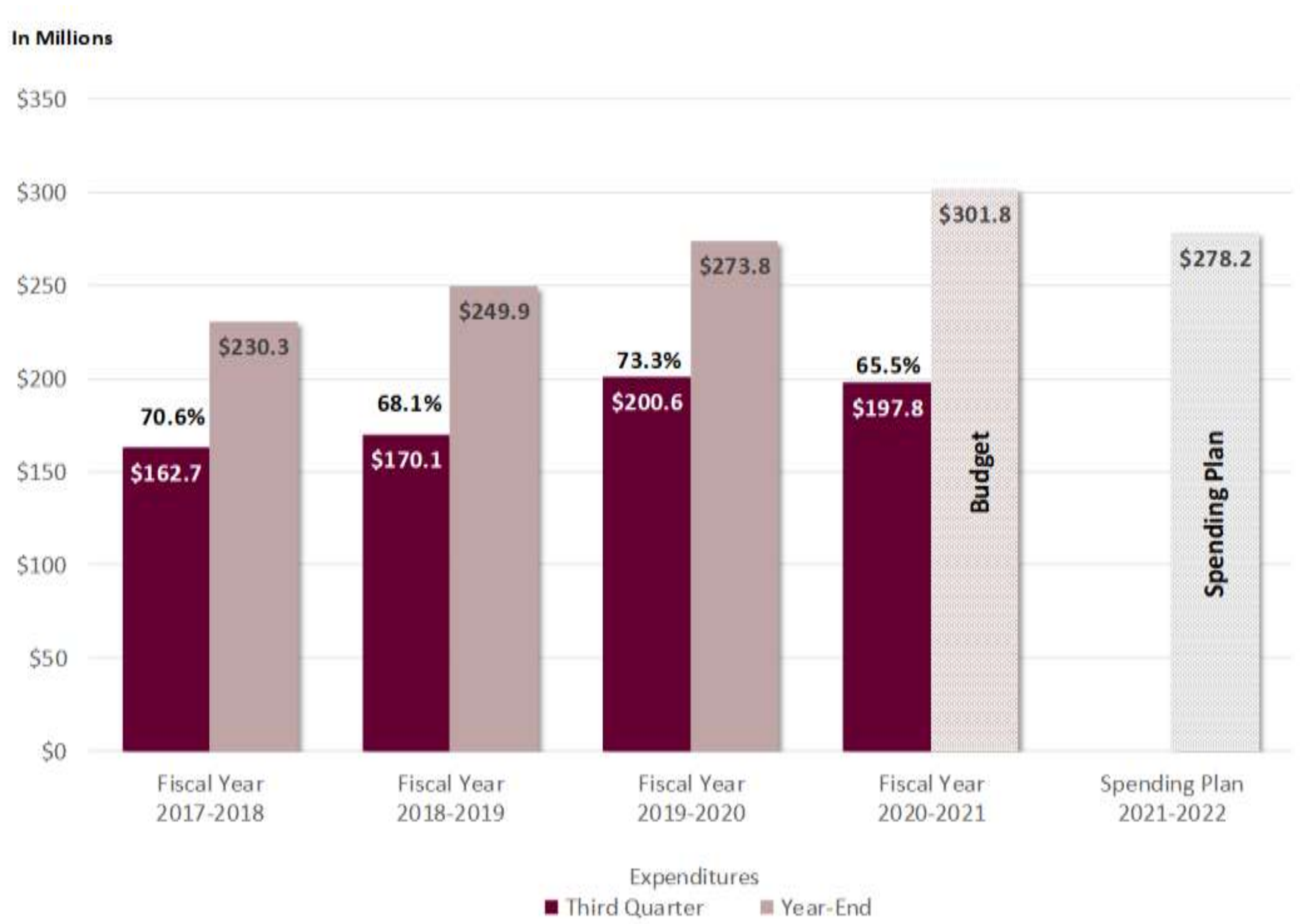
Supporting Strong and Safe Neighborhoods Four-Year Revenue Comparison



Departmental Expenditures

As of March 31, 2021, expenditures are $197.8 million, representing 65.5% of the budgeted appropriations. This is below the range when compared to the third quarter point of the prior three years when expenditures ranged from 68.1% to 73.3% of the final actual expenditures. This lower expenditure percentage is due to significant budget investment in new initiatives and projects that have been put on hold for implementation due to the impact of ongoing COVID-19 pandemic emergency response activities that have taken priority over many other operational plans.

Supporting Strong and Safe Neighborhoods Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for *Supporting Strong and Safe Neighborhoods* will increase appropriations by $6 million, of which approximately $3 million is detailed in technical adjustments on page 58 of this report. The budget adjustments are funded by $2 million in department revenue and $4 million in General Fund Contribution.

County Operations – County Court Funding

In response to the COVID-19 Pandemic, the superior court reduced court operations and canceled civil proceeding and traffic court for several months. In recent months, court operations have begun to return to pre-pandemic levels but are not at full operations. In addition, Governor's orders impeded the Treasurer-Tax Collector from recouping owed fees through tax intercepts. All of this has resulted in delayed collections for civil fees.

Bail bond forfeitures often require court hearings in order to establish a legally enforceable collection for the funds as bail bond companies often do not willingly turn over forfeited bail bonds. The last year of reduced court operations in which trial courts were limited provided for fewer bail bond forfeiture cases to be heard. In addition, other work has taken priority to pursuing bond forfeitures due to the pandemic and there is a backlog of bail bond forfeiture cases that will begin to be addressed once court operations resume to full operating status. Collection of bail bonds is likely a declining or disapearing revenue source as recent case law has changed the courts process for assigning bail to criminal cases. However, this should be monitored as full impact on the bail system remains to be seen.

Recommended Budget Adjustment					
Budget Unit Name	**Revenue**	**Appropriations**	**Fund Balance/ Retained Earnings**	**Net County Cost/ General Fund Contribution**	**Description**
County Operations - County Court Funding	($500,000)	$0	$0	$500,000	Decrease estimated revenue related to civil citations and bail bond forfeitures impacted by COVID-19 emergency implemented collection delays and reduced court operations.
Total	**($500,000)**	**$0**	**$0**	**$500,000**	

Recommendation: It is recommended to decrease revenue by $500,000 in the County Operations-County Court Funding budget, funded by $500,000 in Net County Cost.

District Attorney

The District Attorney's office has been working to virtualize its ICJIS (Integrated Criminal Justice Information System) Application, Electronic Data Management (EDM) and Database (DB) platforms and will need to purchase two ESXi servers. Virtualizing ICJIS's Application, EDM, and DB platforms will help accelerate the Department's goal of operating in Azure Cloud within the next three years. The Department has completed phase one and two toward Azure Cloud and is currently on phase three of migrating the ICJIS Database from Oracle to Microsoft SQL. Once the migration is complete, virtualization will be faster, less costly and easier to replicate the Microsoft SQL Database to Azure Cloud. The two new servers along with Nimble storage, ICJIS Application, EDM and SQL Database will allow everything to run smoothly until the migration to Azure Cloud is completed. The total cost of the two servers is $44,000. A transfer of appropriations for $24,000 from salaries and benefits to fixed assets, and an increase in appropriations and revenue for $20,000 from the ICJIS budget is recommended.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
District Attorney - Criminal Division	$0	$24,000	$0	$24,000	Transfer in appropriations from Salaries and Benefits to Fixed Assets for the purchase of two host servers for the ICJIS case management system. Total cost: $44,000
District Attorney - Criminal Division	$0	($24,000)	$0	($24,000)	Transfer out appropriations from Salaries and Benefits to Fixed Assets for the purchase of two host servers.
District Attorney - Criminal Division	$20,000	$20,000	$0	$0	Increase appropriations and estimated revenue from the ICJIS budget for the purchase of two host servers.
Total	**$20,000**	**$20,000**	**$0**	**$0**	

Recommendation: It is recommended to increase appropriations and estimated revenue by $20,000 and transfer appropriations of $24,000 from Salaries and Benefits to Fixed Assets.

Sheriff

A one-time increase of $573,776 in appropriations is recommended to support unanticipated termination cash-outs that were not included in the approved legal budget. The increase will be funded by estimated revenue from Community Corrections Partnership of $10,105 and the remaining $563,671 with Net County Cost.

A one-time increase of $1,087,702 in appropriations and estimated revenue is recommended to support the unanticipated additional back-fill in staff overtime hours due to COVID-19-related absences that were not included in the approved legal budget. The back-fill was essential to continue to keep the day-to-day operations running. This increase will be funded by estimated revenue using CARES Act CRF funds.

Due to timing of large projects that were approved during the Fiscal Year 2020-2021 Final Budget and managed by General Services Agency-Capital Projects, the Department will need to return to the Board of Supervisors for approval in the next fiscal year when Capital Projects is available to move forward with the projects. Moving the funding from Services and Supplies and Fixed Assets to the Department's Appropriations for Contingencies will allow to Department to better track the pending project budgets. The five projects to move the funding are as follows:

1. Property and Evidence HVAC Project - $627,500 in Administration
2. Support Services HVAC Project - $484,100 in Detention
3. Minimum Housing Office Building - $1,100,000 in Detention
4. Training Center Upgrades - $500,300 in Operations
5. Sheriff Vehicle Storage Project - $300,000 in Operations

In recent months the Sheriff's Detention Facilities have seen an increase in drug use by inmates. In the 2020 calendar year, the Facility experienced 17 incidents which required the use of Narcan, due to a suspected overdose. Narcan is a fast-acting remedy for an opioid overdose, including synthetic opioids such as heroin and fentanyl. Any time an incident occurs that demands the use of Narcan, it is required that the inmate be transported to the hospital via ambulance. The Sheriff's Office has also seen an escalation in drugs, more specifically heroin and fentanyl, being smuggled into the facilities by inmates. During overdose incidents, it requires staff and the use of personal protective equipment to search for these dangerous drugs slowly and methodically. This results in hundreds of manpower hours dedicated to handle the overdoses and location of any drugs. An inmate's tolerance level for drugs lowers while they are in-custody due to difficulty of receiving drugs on a consistent basis, and often when they submit to ingesting these drugs, it causes a medical emergency. Staff are then required to respond to these emergencies, placing themselves in danger of being exposed to the drugs or the violence and aggression that is common for inmates to display when staff interpose. One way to assist in minimizing these incidents within the facilites is by hampering an inmate's ability to smuggle drugs. A full-body scanner can decrease the amount of contraband and weapons being smuggled into and throughout the facilites. The scanner allows for staff to locate these items commonly not discovered during the traditional search. It is recommended to increase $200,000 in appropriations in fixed assets funded by estimated revenue from CARES Act CRF funds for the one-time purchase of one body security scanning system for use in the detention facilities.

An increase of $925,000 in appropriations and estimated revenue is recommended to support unanticipated COVID-19-related expenses that were not included in the approved budget, and the department's existing budget is unable to support. This includes $425,000 to cover additional costs related to the Detention facilities including costs associated with COVID-19 testing for Sheriff employees, inmates and other county first responders, personal protective equipment, and courtroom build-out costs to assist with courthouse social distancing requirements and minimizing the transportation of inmates to the court facilities. Addtionally, a one-time increase of $500,000 is to cover continued costs related to the COVID-19 Emergency Operations Center. The estimated revenue will be funded with CARES Act CRF funds.

The Jail Commissary has recently experienced an increase in commissary sales. A one-time increase of $200,000 in appropriations and estimated revenue is recommended for the additional Commissary inventory. The Commissary is a store within the detention facility from which inmates may purchase products such as hygiene items, snacks, stationary, and other essential items. These purchases are made through the inmates account with funds from money contributed by family and friends. Recent review of commissary sales indicate the inmates are shopping at the Commissary more frequently. In total, Commissary purchases have increased $370,000 and Commissary revenues have increased $400,000 from the prior fiscal year.

The 2020-2021 Midyear Financial Report included $114,000 for the estimated costs to repair a helicopter camera that had been damaged during transportation and paid for by insurance proceeds. The total reimbursement for the repair came in at $160,000. An increase of $46,000 in appropriations and estimated revenue is recommended to reflect the actual repair cost.

A one-time increase of $36,000 in appropriations and estimated revenue is recommended to purchase a narcotics analyzer for use in the Sheriff's Special Investigation Unit (SIU) funded with High Intensity Drug Trafficking Area (HIDTA) grant funding. The Department recently received approval from HIDTA to purchase a narcotics analyzer to assist with the identification of narcotics that are seized and processed by the Department. Currently, the Sheriff's Department sends out approximately 15 samples a month to the Department of Justice (DOJ) for testing, with a turn-around time of one to two months. The timeframe is not conducive to on-scene processing of narcotics, especially Fentanyl which continues to be found and is extremely lethal. This analyzer will assist with keeping staff safer during the processing of found narcotics.

Finally, transferability between the five Sheriff General Fund Legal Budget Units is recommended to ensure that all Legal Budget Units will end the year in a positive position. The units include Adult Detention Expansion, Detention, Administration, Operations, and Office of Emergency Services/Fire Warden.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
Sheriff-Administration	$0	$37,151	$0	$37,151	Increase appropriations in Salaries and Benefits for termination cash-outs not included in the approved budget.
Sheriff-Administration	$5,054	$5,054	$0	$0	Increase appropriations in Salaries and Benefits and estimated revenue for backfill related to COVID-19 employee absences. Funded with CRF.
Sheriff-Administration	$0	($627,500)	$0	($627,500)	Transfer appropriations from Fixed Assets to Department Appropriations for Contingencies for Property and Evidence HVAC project that will be managed by GSA-Capital Projects.
Sheriff-Administration	$0	$627,500	$0	$627,500	Transfer appropriations from Fixed Assets to Department Appropriations for Contingencies for Property and Evidence HVAC project that will be managed by GSA-Capital Projects.
Sheriff-Adult Detention Expansion	$10,105	$40,420	$0	$30,315	Increase appropriations in Salaries and Benefits and estimated revenue for termination cash-outs not included in the approved budget funded 25% by CCP.
Sheriff-Detention	$200,000	$200,000	$0	$0	Increase appropriations in Fixed Assets and estimated revenue for Full Body scanner for Detention Facilities. Funded with CRF.
Sheriff-Detention	$0	$218,380	$0	$218,380	Increase appropriations in Salaries and Benefits for termination cash-outs not included in the approved budget.
Sheriff-Detention	$763,415	$763,415	$0	$0	Increase appropriations in Salaries and Benefits and estimated revenue for backfill related to COVID-19 employee absences. Funded with CRF.
Sheriff-Detention	$425,000	$425,000	$0	$0	Increase appropriations in Services and Supplies and estimated revenue for COVID-19 related expenses for the Detention Facilities. Funded with CRF.

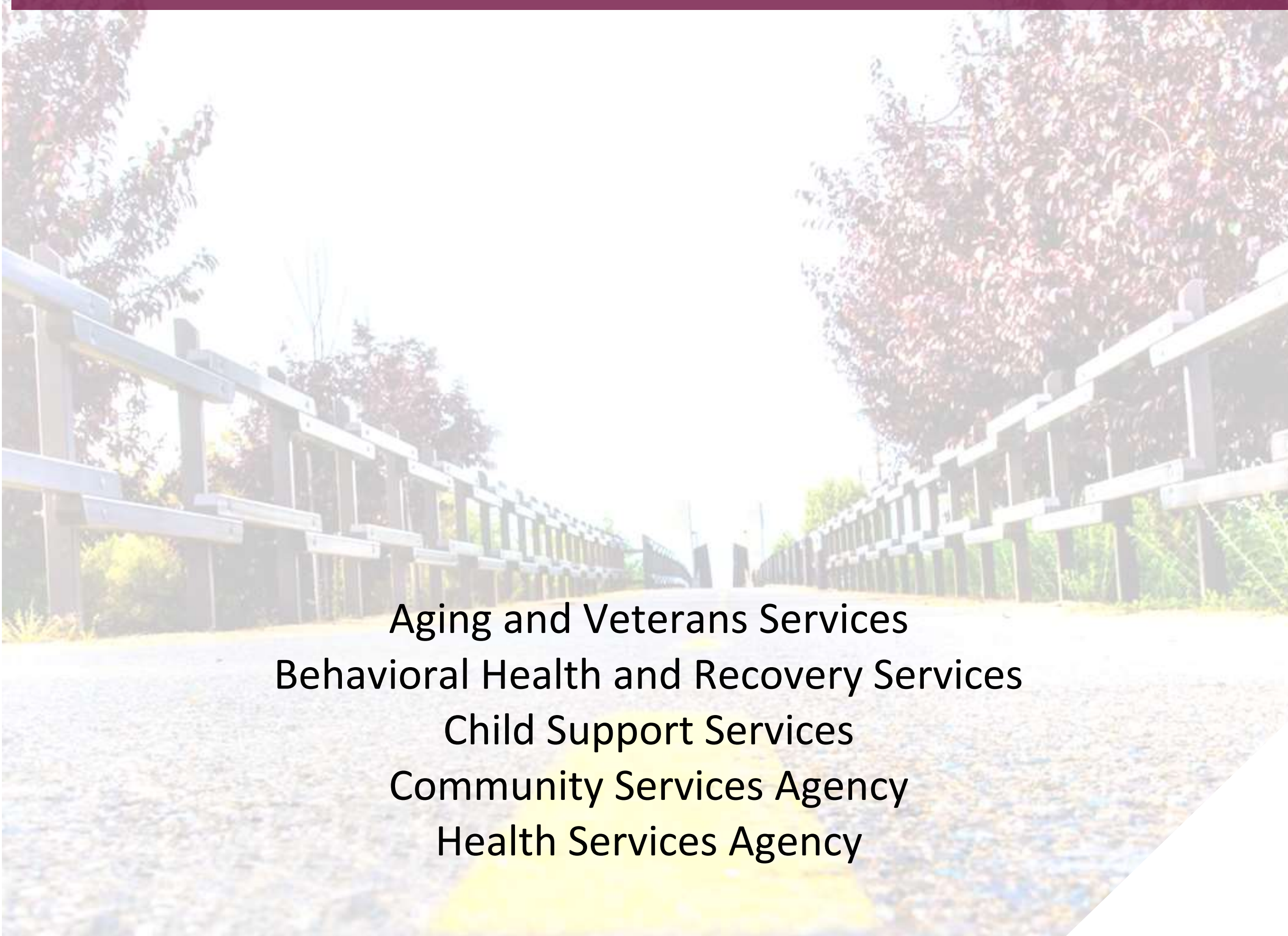
Budget Unit Name	Recommended Budget Adjustment: Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Sheriff-Detention	$0	($484,100)	$0	($484,100)	Transfer appropriations from Fixed Assets to Department Appropriations for Contingencies for Support Services HVAC project that will be managed by GSA-Capital Projects.
Sheriff-Detention	$0	$484,100	$0	$484,100	Transfer appropriations from Fixed Assets to Department Appropriations for Contingencies for Support Services HVAC project that will be managed by GSA-Capital Projects.
Sheriff-Detention	$0	($1,100,000)	$0	($1,100,000)	Transfer appropriations from Fixed Assets to Department Appropriations for Contingencies for Minmum Housing Medical/Office space project that will be managed by GSA-Capital Projects.
Sheriff-Detention	$0	$1,100,000	$0	$1,100,000	Transfer appropriations from Fixed Assets to Department Appropriations for Contingencies for Minmum Housing Medical/Office space project that will be managed by GSA-Capital Projects.
Sheriff-Jail Commissary/Inmate Welfare	$200,000	$200,000	$0	$0	Increase appropriations in Services and Supplies and estimated revenue for additional Commissary inventory due to increase in recent sales.
Sheriff-Office of Emergency Services/Fire Warden	$500,000	$500,000	$0	$0	Increase appropriations in Services and Supplies and estimated revenue for COVID-19 response and EOC related expenses. Funded with CRF.
Sheriff-Operations	$46,000	$46,000	$0	$0	Increase appropriations in Services and Supplies and estimated revenue for helicopter camera repair due to damage during shipping using insurance proceeds which came in higher than expected.
Sheriff-Operations	$0	$277,825	$0	$277,825	Increase appropriations in Salaries and Benefits for termination cash-outs not included in the approved budget.
Sheriff-Operations	$319,233	$319,233	$0	$0	Increase appropriations in Salaries and Benefits and estimated revenue for backfill related to COVID-19 employee absences. Funded with CRF.
Sheriff-Operations	$36,000	$36,000	$0	$0	Increase appropriations in Services and Supplies and estimated revenue for the purchase of a narcotics analyzer for the Sheriff's Special Investigation Unit for safe handling of potentially lethal narcotics.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Sheriff-Operations	$0	($500,300)	$0	($500,300)	Transfer appropriations from Fixed Assets and Services and Supplies to Department Appropriations for Contingencies for Training Center upgrades project that will be managed by GSA-Capital Projects.
Sheriff-Operations	$0	$500,300	$0	$500,300	Transfer appropriations from Fixed Assets and Services and Supplies to Department Appropriations for Contingencies for Training Center upgrades project that will be managed by GSA-Capital Projects.
Sheriff-Operations	$0	($300,000)	$0	($300,000)	Transfer appropriations from Services and Supplies to Department Appropriations for Contingencies for Vehicle Storage project that will be managed by GSA-Capital Projects.
Sheriff-Operations	$0	$300,000	$0	$300,000	Transfer appropriations from Services and Supplies to Department Appropriations for Contingencies for Vehicle Storage project that will be managed by GSA-Capital Projects.
Total	**$2,504,807**	**$3,068,478**	**$0**	**$563,671**	

Recommendation: It is recommended to increase appropriations by $3,068,478 and estimated revenue by $2,504,807 with the use of Net County Cost of $563,671. It is also recommended to allow transferability between the Sheriff's five general fund budget units to ensure the general fund budgets will end in a positive position.

Staffing Recommendation: A classification study of one vacant Account Clerk II position was recommended to study in the 2020-2021 Final Budget. The study has been completed and it is recommended to reclassify the position to Community Services Officer to align departmental needs along with current and anticipated job duties of the position with the appropriate classification.

Supporting Community Health



Aging and Veterans Services
Behavioral Health and Recovery Services
Child Support Services
Community Services Agency
Health Services Agency

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

Priority Overview

Supporting Community Health is vital to the quality of life for our residents. The primary focus on protecting and promoting the physical health and safety of our residents includes preventing disease, disability, and death. Protecting emotional safety focuses on social issues that include homelessness, incarceration, and fragmented families with financial and emotional needs. Resources dedicated to prevention provide for services to a broader population than the resources required for direct services.

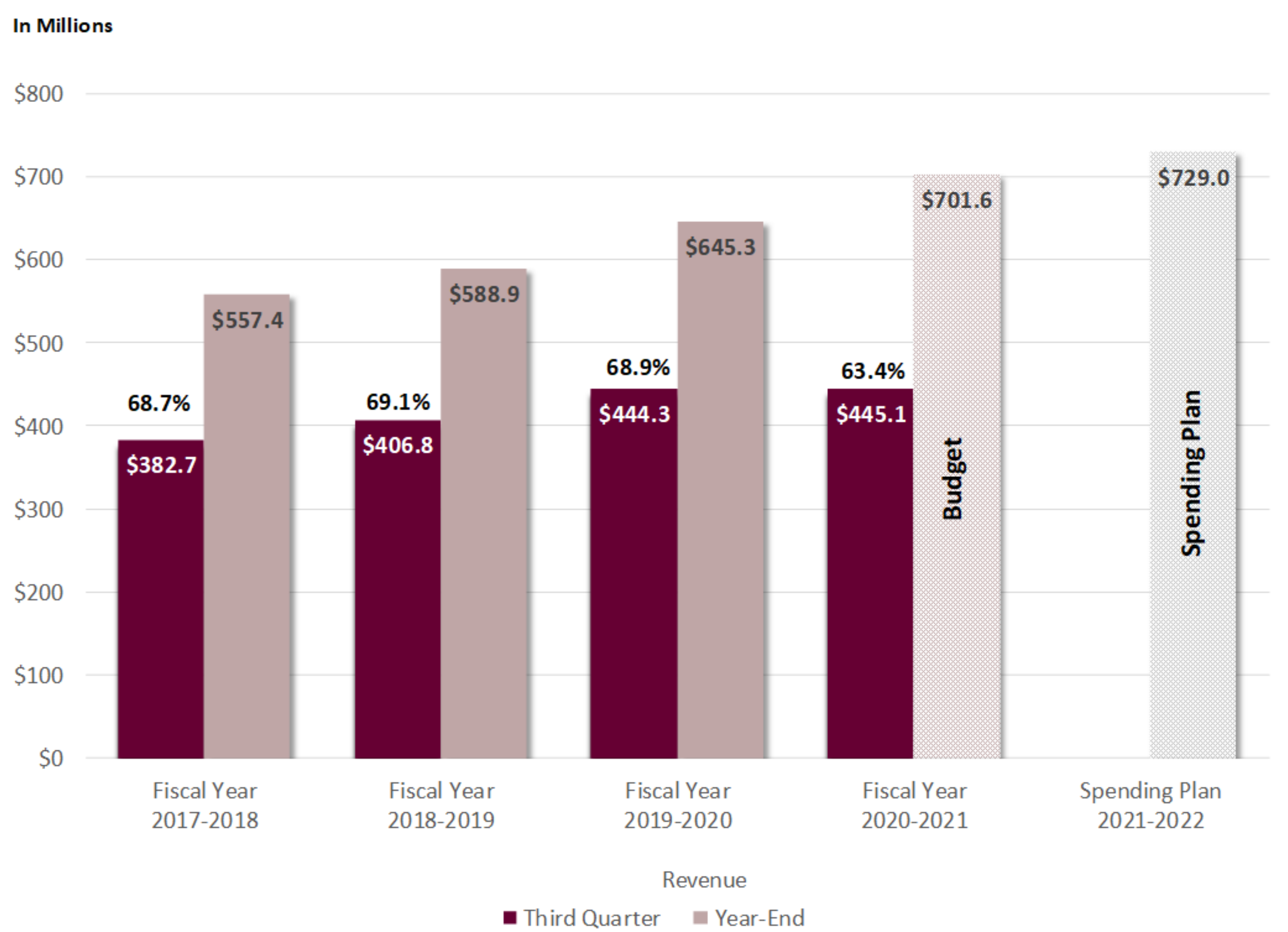
The departments assigned to this priority area include Aging and Veterans Services, Behavioral Health and Recovery Services, Child Support Services, Community Services Agency, and Health Services Agency. The major funding sources for the programs provided by these departments include Federal and State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

Overall, the departments Supporting Community Health are on track to end the year within budget and in a positive fiscal position and 1991 and 2011 Realignment revenue projections continue to come in higher than anticipated, as detailed in the Governor’s Fiscal Year 2021-2022 Proposed Budget.

Departmental Revenue

For departmental budgets Supporting Community Health, actual revenue received as of March 31, 2021 totals $445.1 million, which represents 63.4% of the estimated annual revenue. This ratio is below the normal range when comparing to revenue received as of third quarter in the previous three years when collections ranged from 68.7% to 69.1% of year-end actual totals. Revenue is earned in the Health and Human Services programs through the claiming of allowable and reimbursable expenditures. Revenue is trending lower during the first nine months of the year due to the transfer of the Stanislaus Veterans Center budget to the General Services Agency and the transfer of the First 5 Stanislaus budget from the County to a standalone budget in Fiscal Year 2020-2021. Revenue in the Clinics and Ancillary budget within the Health Services Agency is lower than usual primarily attributed to the timing of Inter-Governmental Transfer revenue that was posted in April 2021 rather than in March, as in years past. Revenue in the Program Services and Support budget within the Community Services Agency is lower due to decreased Federal and State reimbursements as a result of reduced services during the COVID-19 pandemic. In addition, there was a duplicate accrual entry from March 2020 that was reversed in April 2020 which overstated revenue as of third quarter last fiscal year.

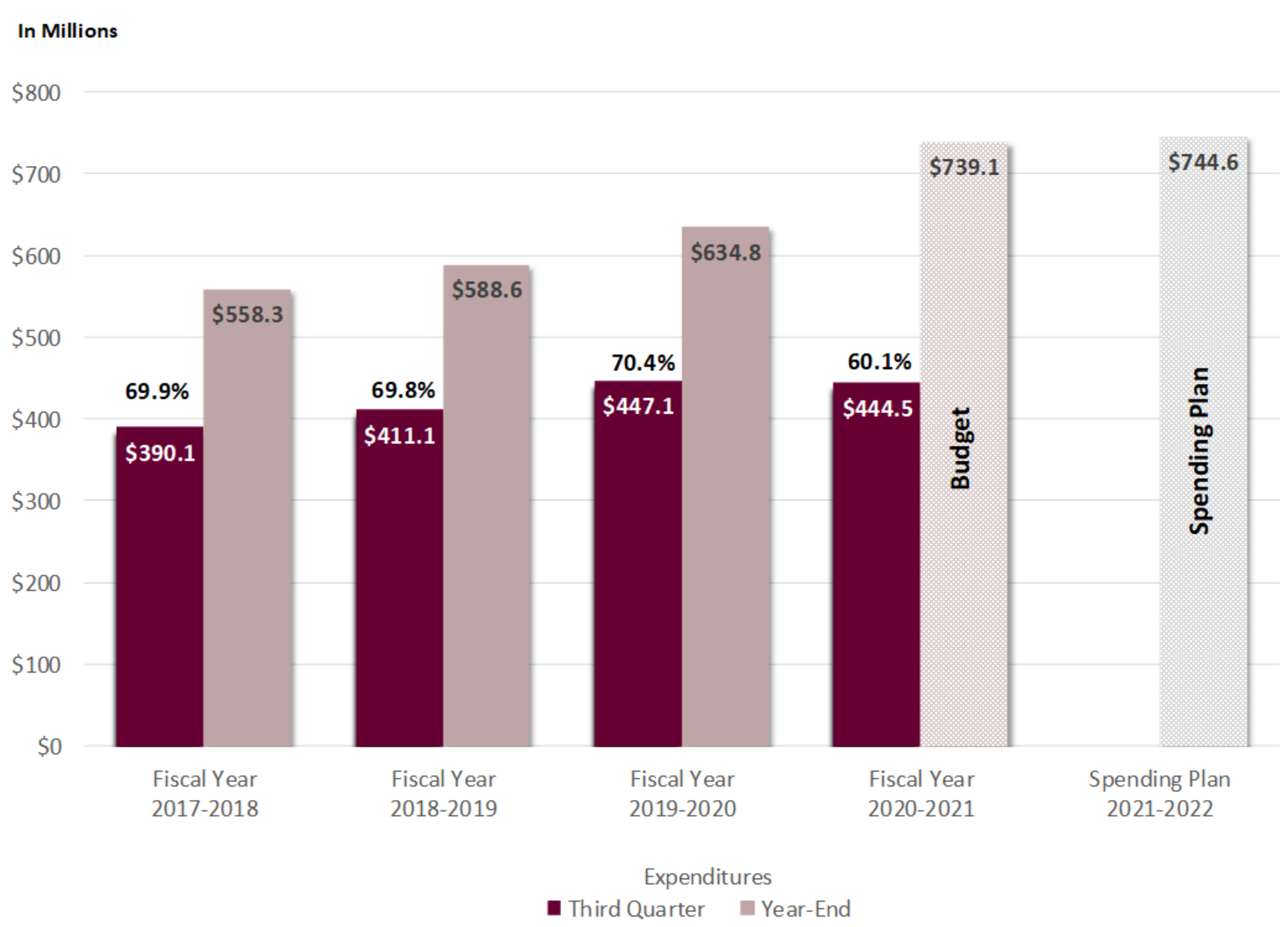
Supporting Community Health Four-Year Revenue Comparison



Departmental Expenditures

As of March 31, 2021, expenditures in this priority area totaled $444.5 million, representing 60.1% of the budgeted appropriations. Actual expenditures identified in third quarter of the previous three years as a ratio of year-end costs represented a range of 69.8% to 70.4% of the final annual expenditures, placing this year's rate of expenditures below the historical range. Expenditures are trending lower due to the transfer of the Stanislaus Veterans Center budget to the General Services Agency and the transfer of First 5 Stanislaus's budget from the County to a standalone budget in Fiscal Year 2020-2021. Expenditures were lower in the Community Services Agency and Behavioral Health and Recovery Services (BHRS) as a result of reduced services during the COVID-19 pandemic.

Supporting Community Health Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for Supporting Community Health will net for a total increase in appropriations of $9.4 million with a $10.3 million increase in estimated revenue, resulting in a $844,717 decrease in Net County Cost.

Aging and Veterans Services

The Area Agency on Aging has received $178,819 in additional Federal Older Americans Act (OAA) funding with an equal increase to appropriations in order to utilize these funds for a variety of purposes. The Federal OAA has supplied $47,642 in an Area Plan baseline augmentation that will allow for additional meals for seniors and for additional supportive services by providers such as Homemaker, Disease Prevention, and Legal Assistance services. One-time funding in the amount of $131,177 will assist with administration and equipment costs for various programs within the division. In addition, the CalFresh Expansion program ended as of June 30, 2020 and was not extended into Fiscal Year 2020-2021 therefore; a reduction of $48,335 in both estimated revenue and appropriations is needed.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Aging and Veterans Services - Area Agency on Aging	$178,819	$178,819	$0	$0	Increase estimated revenue and appropriations due to additional California Department of Aging Older Americans Act baseline funding of $47,642 and one-time funding of $131,177.
Aging and Veterans Services - Area Agency on Aging	($48,335)	($48,335)	$0	$0	Decrease estimated revenue and appropriations due to the discontinuation of the CalFresh Expansion program in Fiscal Year 2020-2021.
Total	**$130,484**	**$130,484**	**$0**	**$0**	

Recommendation: It is recommended to increase estimated revenue and appropriations by $130,484.

Staffing Recommendation: A classification study of one Accountant I position was recommended to study in the 2020-2021 Final Budget. The study has been completed and it is recommended to reclassify the position to Accountant II to align departmental needs along with current and anticipated job duties of the position with the appropriate classification.

In addition, a classification study of one Account Clerk III position was recommended to study in the 2020-2021 Final Budget. The study has been completed and it is recommended to reclassify the position to Accounting Technician to align departmental needs along with current and anticipated job duties of the position with the appropriate classification.

Behavioral Health and Recovery Services

Due to impacts from the COVID-19 pandemic, Behavioral Health and Recovery Services (BHRS) is projecting a savings in various contracted services resulting in a $2 million reduction in appropriations and the use of fund balance. Managed Care does not maintain a fund balance and relies on the transfer of funding from the BHRS budget unit. The BHRS available fund balance as of June 30, 2021 is projected to be $2.7 million, which is sufficient to fund the $2 million increase in fund balance usage to offset Managed Care costs.

Managed Care has been impacted by an increase of out-of-County hospitalization placements of children who are experiencing an acute mental health crisis. Due to the lack of placement availability within Stanislaus County, clients are placed at out-of-County hospitals to receive specialized treatment services. The cost to continue to provide service to clients through June 30, 2021 is projected to exceed current budget authority by $1.1 million. These costs will be partially offset by $300,000 in estimated Medi-Cal fee-for-service psychiatry services revenue, with the remainder covered by the use of $765,000 in departmental fund balance.

It is estimated that the Telecare Psychiatric Health Facility contract costs will be $420,000 higher than budgeted to accommodate increased personnel and prescriber costs due to staffing challenges from the COVID-19 pandemic. Lastly, in order to maintain compliance with Federal grant requirements on indirect cost allocation, the Department revised its internal cost allocation methodology for Fiscal Year 2020-2021 after the Adopted Final Budget was approved. The change resulted in an $833,000 increase in indirect costs allocated to Managed Care. These adjustments will require the additional use of $1.3 million in departmental fund balance.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Behavioral Health and Recovery Services	$0	($2,018,000)	($2,018,000)	$0	Decrease appropriations due to miscellaneous contract savings, reducing use of fund balance in order to cover costs in Managed Care.
Behavioral Health and Recovery Services - Managed Care	$300,000	$1,065,000	$765,000	$0	Increase appropriations due to costs associated with increased out of County children's hospital utilization, funded by revenue and fund balance.
Behavioral Health and Recovery Services - Managed Care	$0	$420,000	$420,000	$0	Increase appropriations due to increased costs associated with the Telecare Psychiatric Health Facility contract, funded by fund balance.
Behavioral Health and Recovery Services - Managed Care	$0	$833,000	$833,000	$0	Increase appropriations due to implementation of a revised cost allocation methodology, funded by fund balance.
Total	**$300,000**	**$300,000**	**$0**	**$0**	

Recommendation: It is recommended to increase estimated revenue and appropriations by $300,000.

Health Services Agency

As the response to the COVID-19 pandemic continues, the Health Services Agency (HSA) continues to play a critical role in supporting the Emergency Operations Center (EOC) and coordinating vaccination distribution throughout the community. Multiple sources of funding have been utilized to fund the Department's emergency response including Federal Emergency Management Act (FEMA) funding and CARES Act CRF funding, and Epidemiology and Laboratory Capacity (ELC) funding.

CARES Act CRF funding will be used to offset HSA's emergency response costs for January and February of 2021; therefore, it is recommended to increase CARES Act CRF revenue by $51,126 in Clinics and Ancillary and by $1.5 million in Public Health, with corresponding increases in expenditure appropriations in each budget unit to cover EOC and vaccination expenses for January and February 2021.

On March 2, 2021, HSA received a direct allocation letter from the California Department of Public Health (CDPH) awarding Stanislaus County with $24.6 million in COVID-19 ELC Enhancing Detection Expansion Funding through the Coronavirus Response and Relief Supplemental Appropriations Act of 2021. Funding for qualifying activities under this award covers the period beginning January 15, 2021 to July 31, 2023.

Like the activities supported by the original ELC Enhancing Detection award, this new funding expands support for COVID-19 testing, case investigation, contact tracing, surveillance, containment, and mitigation. In addition, this funding is primarily focused on vaccine delivery efforts, which is a top priority for the County.

On March 30, 2021, HSA received 25% of the award, $6.2 million, and will use this funding to offset ongoing operational costs associated with the EOC. HSA is planning to use approximately $7.5 million, in ELC Enhancing Detection Expansion funding by June 30, 2021, with Clinics and Ancillary utilizing $225,000 and Public Health utilizing $7.3 million, based on cost projections derived from prior period activities; therefore, it is recommended to increase revenue with corresponding increases in expenditure appropriations in each budget unit. Because HSA did not receive official notification of the ELC grant until March 2, 2021, the Department set up the appropriate accounting structure to capture costs related to this new grant beginning March 1, 2021.

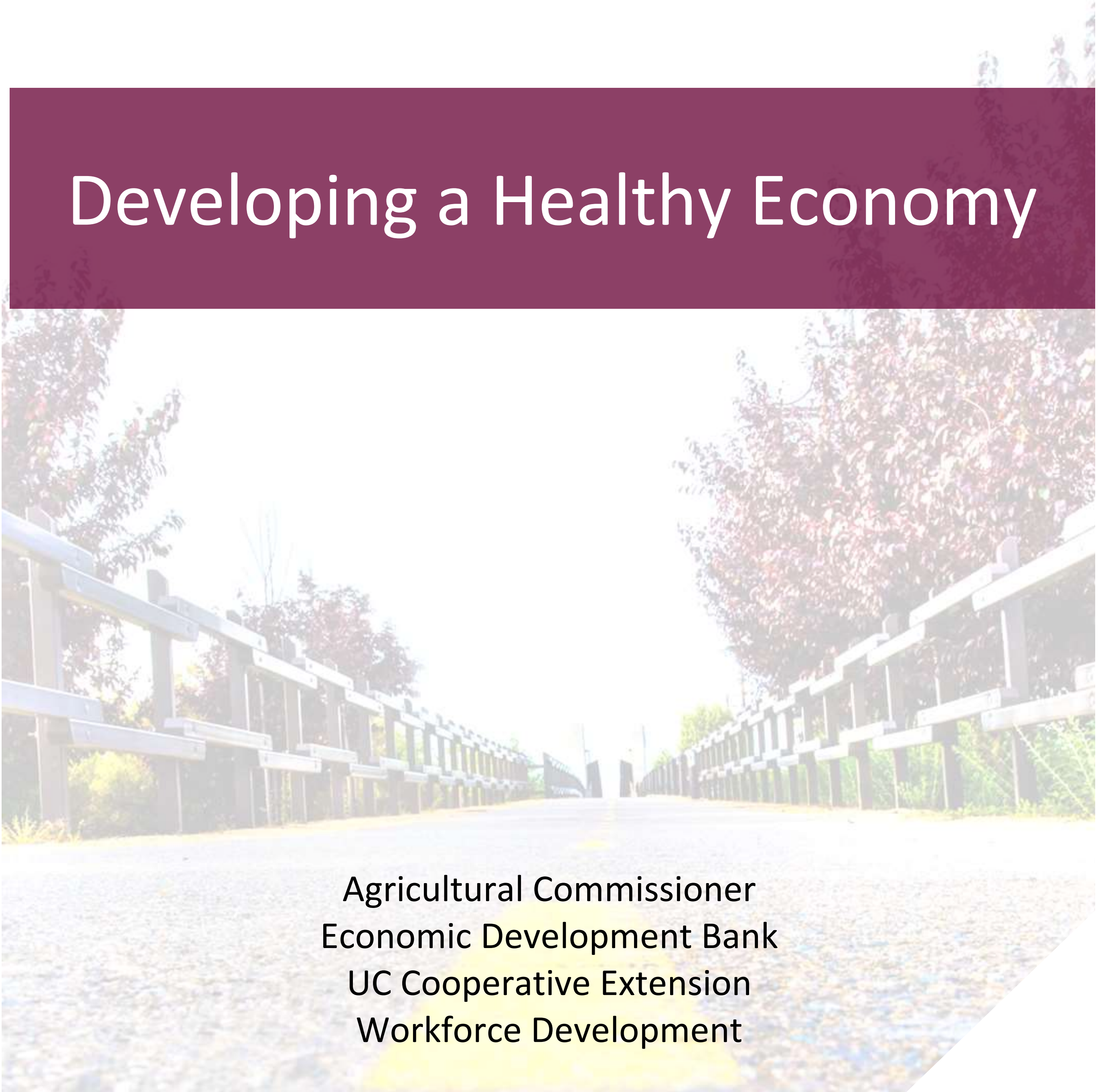
Public Health is increasing 1991 Realignment revenue projections based on estimates contained in the California State 2021-2022 Proposed Budget and actual payments received through February 2021. Using these new estimates, the Department is increasing revenue by $844,717, resulting in an equal reduction in use of fund balance.

Clinics and Ancillary Services is increasing the use of fund balance by $844,717 resulting in a decrease in General Fund contribution to align with projected costs savings as detailed in the clinics consolidation plan approved by the Board of Supervisors (BOS item 2019-0464) on July 16, 2019. The Fiscal Year 2020-2021 General Fund contribution should have decreased from $3.1 million to $2.3 million based on projected costs savings of the consolidation plan. However, due to COVID-19 cost exposures, fluctuating revenues, and most importantly the workload placed on the County to lead the local response to the COVID-19 pandemic, the Board of Supervisors approved beginning Fiscal Year 2020-2021 with a Rollover Proposed Budget, which did not include the reduction in General Fund contribution. The $844,717 adjustment reduces the General Fund contribution to $2.3 million. Additional research and reconciliations are being performed with respect to General Fund contributions and County Match to Public Health, Clinics and Ancillary Services, and the Indigent Health Care Program and any necessary adjustments will be brought to the Board of Supervisors for approval in a year-end agenda item.

Budget Unit Name	Recommended Budget Adjustment: Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Health Services Agency - Clinics and Ancillary Services	$51,126	$51,126	$0	$0	Increase in CARES Act CRF revenue and appropriations to fund Emergency Operations Center (EOC) costs through February 2021.
Health Services Agency - Clinics and Ancillary Services	$225,000	$225,000	$0	$0	Increase in estimated revenue and appropriations to fund Emergency Operations Center costs for March 2021 through June 2021, funded by Epidemiology and Laboratory Capacity (ELC) funding.
Health Services Agency - Clinics and Ancillary Services			$844,717	($844,717)	Increase use of fund balance to right-size the General Fund Contribution per the 2019 clinic consolidation plan (BOS Item 2019-0464).
Health Sevices Agency - Public Health	$844,717	$0	($844,717)	$0	Increase in 1991 Realignment revenue to be in line with State projections, reducing use of fund balance.
Health Sevices Agency - Public Health	$1,465,674	$1,465,674	$0	$0	Increase in CARES Act CRF revenue and appropriations to fund Emergency Operations Center costs through February 2021.
Health Sevices Agency - Public Health	$7,275,000	$7,275,000	$0	$0	Increase in estimated revenue and appropriations to fund EOC costs for March 2021 through June 2021, funded by Epidemiology and Laboratory Capacity (ELC) funding.
Total	**$9,861,517**	**$9,016,800**	**$0**	**($844,717)**	

Recommendation: It is recommended to increase appropriations by $9 million, funded by $9.9 million in estimated revenue, resulting in a $844,717 decrease in Net County Cost.

Staffing Recommendation: A classification study of one Software Developer II position was recommended to study in the 2020-2021 Final Budget. The study has been completed and it is recommended to reclassify the position to Software Developer/Analyst III to align departmental needs along with current and anticipated job duties of the position with the appropriate classification.



Developing a Healthy Economy

Agricultural Commissioner
Economic Development Bank
UC Cooperative Extension
Workforce Development

Developing a healthy economy, building upon our strong agricultural foundation

Priority Overview

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

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

While agriculture plays a critical role in the local economy placing the economic viability of the County on a limited number of sectors puts the County at risk. Sector diversification strengthens the local economy and provides for a better, more stable, quality of life for residents. Departments assigned to this priority area focused on agribusiness include: Agricultural Commissioner Office and Cooperative Extension.

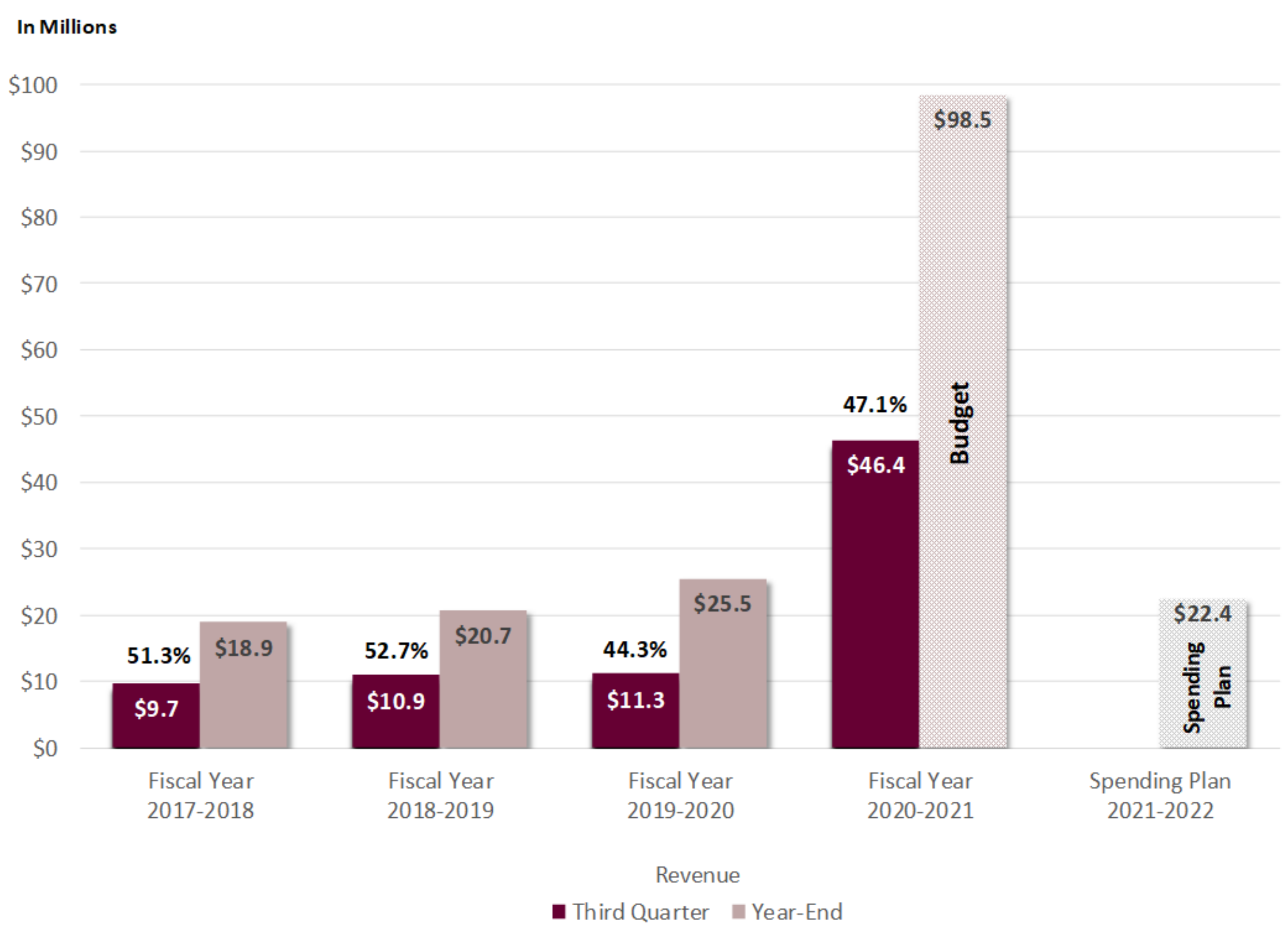
There are various funding sources for departments in this priority area. The Agricultural Commissioner receives State funding for several programs, charges for specific services and receives funding from the General Fund. Cooperative Extension's University of California advisors are funded through the University of California system; however, the County provides funding from the General Fund for support staff and operational expenses. Workforce Development's major funding source is Federal funds (Workforce Innovation and Opportunity Act).

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

Departmental Revenue

For the departments contained in the Board of Supervisors' priority area of *Developing a Healthy Economy,* as of March 30, 2021, actual revenue collected is $46.4 million, which represents 47.1% 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 44.3% to 52.7%. Current year budget revenue is significantly greater than prior years due to receipt of CARES Act CRF funding allocated to Economic Development for community support and business revitalization in response to the COVID-19 pandemic.

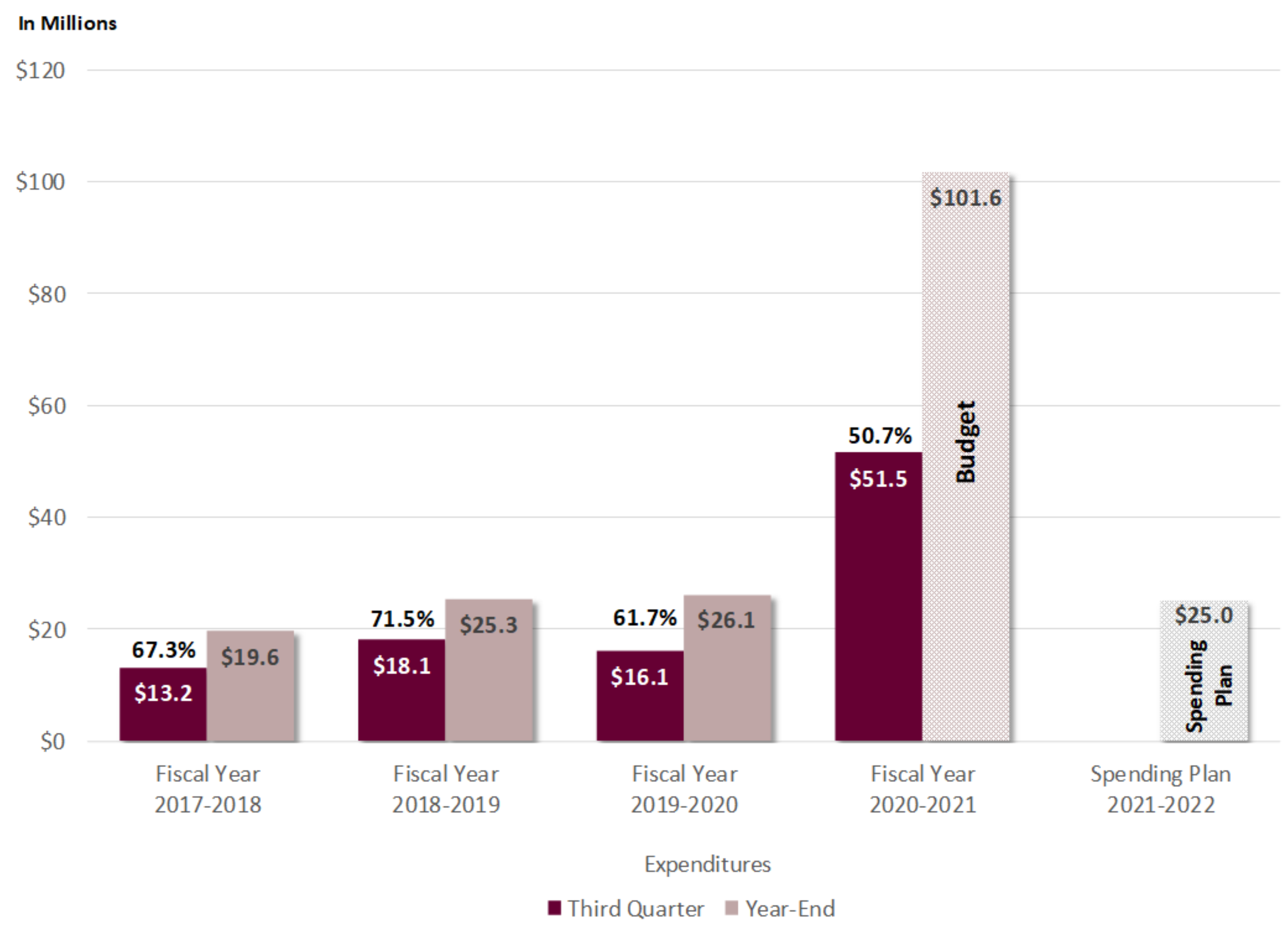
Developing a Healthy Economy Four-Year Revenue Comparison



Departmental Expenditures

As of March 30, 2021, expenditures are $51.5 million, representing 50.7% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 61.7% to 71.5% of the final actual expenditures, placing this year below the three-year range. This is due to a $65.4 million increase in budgeted expenditures and an increase of $34.5 million in year-to-date expenditures for this priority due to CARES Act CRF funding in response to the COVID-19 pandemic.

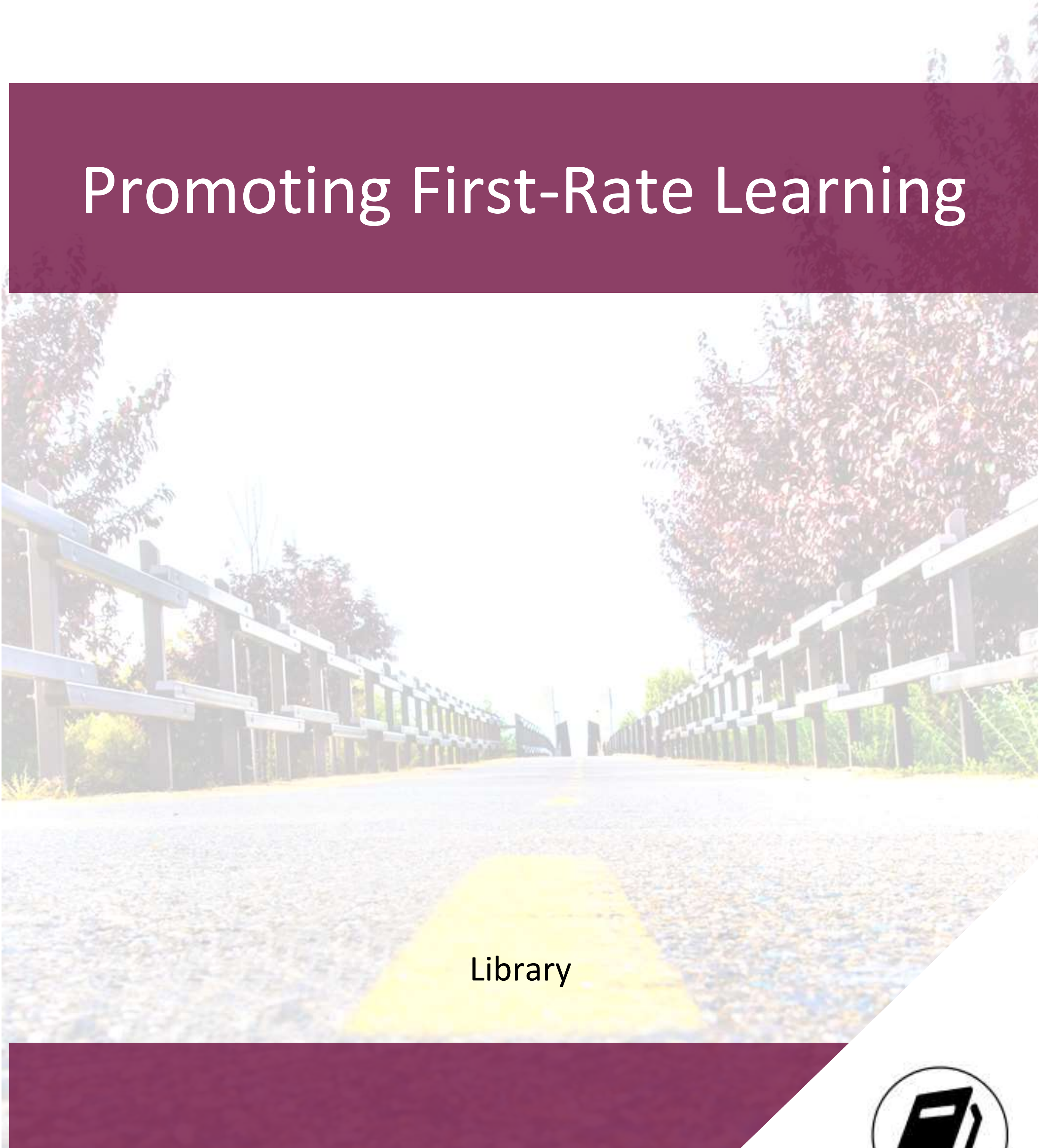
Developing a Healthy Economy Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

There are no recommendations for the priority of *Developing a Healthy Economy*.

Promoting First-Rate Learning



Library

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

Priority Overview

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

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

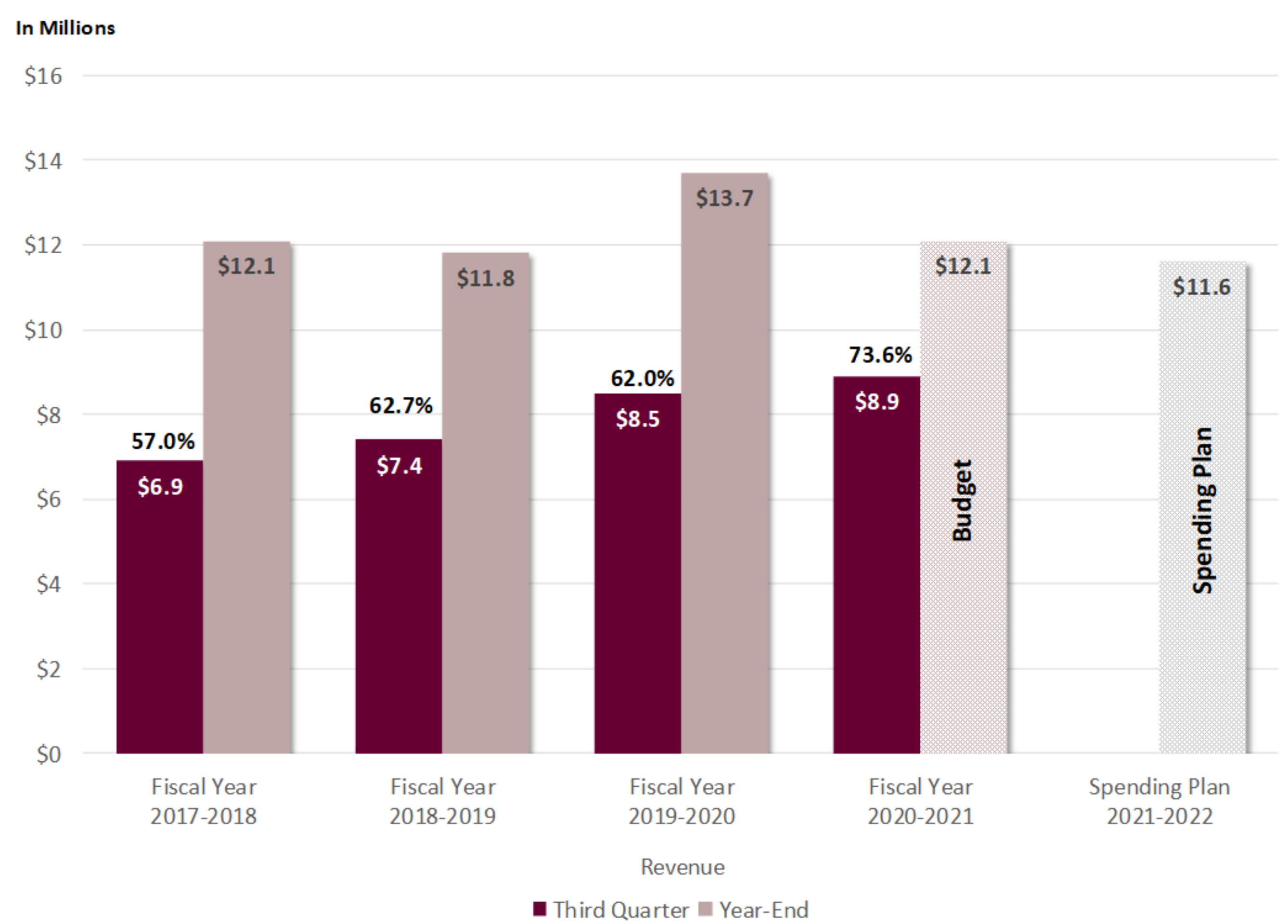
The Library is primarily funded by a voter approved 1/8-cent sales tax, which represents approximately 90% of the Library's total estimated revenue to support the Library operations in Fiscal Year 2020-2021. The voter approved 1/8-cent sales tax was extended for 12 years when Measure S passed in the November 7, 2017 election.

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

Departmental Revenue

For the department budget that makes up the Board of Supervisors' priority area of *Promoting First-Rate Learning* as of March 30, 2021, actual revenue collected is $8.9 million, which represents 73.6% of the estimated annual revenue. This is above the range when compared to third quarter of the prior three years when collections were 57% to 62.7% of the final actual revenue. The actual revenue is above the prior three-year range due to higher sales tax revenue received than previously forecasted at Final Budget. The Library budgeted a 15% reduction in estimated sales tax revenue for Fiscal Year 2020-2021 due to the COVID-19 pandemic. Actual sales tax revenue received at midyear is on par with Fiscal Year 2019-2020.

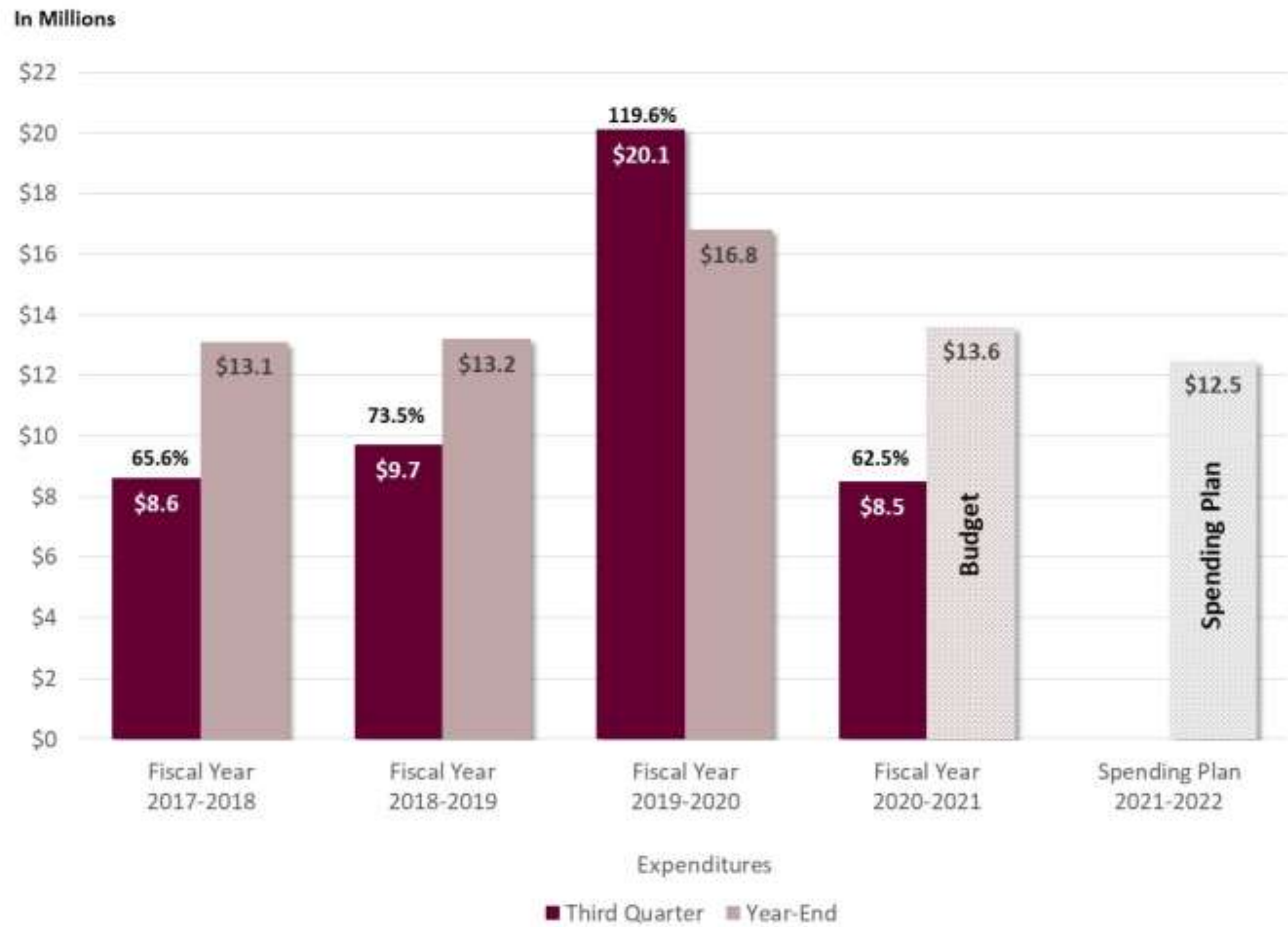
Promoting First-Rate Learning Four-Year Revenue Comparison



Departmental Expenditures

As of March 30, 2021, expenditures total $8.5 million, representing 62.5% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 65.6% to 119.6% of the final actual expenditures, placing this year below the range. Due to the COVID-19 pandemic, Library services were significantly decreased, therefore expenditures were less than normal.

Promoting First-Rate Learning Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for the priority of *Promoting First-Rate Learning* will increase estimated revenue and appropriations by $110,000 funded by CARES Act CRF and Federal Emergency Management Agency (FEMA) funding for expenses associated with responding to the COVID-19 pandemic emergency.

Library

Extra-help Library staff continue to support Emergency Operation Center (EOC) services during the COVID-19 pandemic. Recently this included mobile testing and vaccine clinics. An increase of $110,000 in appropriations is recommended to cover extra-help costs through the end of this fiscal year, funded by CARES Act CRF and/or FEMA reimbursement.

A transfer of $30,000 in appropriations from Services and Supplies to Fixed Assets is recommended for Newman Library projects that include electrical box and heating, ventilation and air conditioning (HVAC) replacement, funded by department fund balance.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
Library	$110,000	$110,000	$0	$0	Increase estimated revenue and appropriations for extra-help staff assigned to various EOC operations, funded by FEMA and/or CRF.
Library	$0	($30,000)	($30,000)	$0	Transfer appropriations from Services and Supplies to Fixed Assets for Newman Library projects.
Library	$0	$30,000	$30,000	$0	Transfer appropriations to Fixed Assets for Newman Library projects, funded by department fund balance.
Total	**$110,000**	**$110,000**	**$0**	**$0**	

Recommendation: It is recommended to increase estimated revenue and appropriations by $110,000, funded by CARES Act CRF revenue and/or FEMA reimbursement.

Delivering Efficient Public Services

Assessor
Auditor-Controller
Board of Supervisors
Chief Executive Office
CEO – Human Relations
Clerk-Recorder
County Counsel
County Operations
General Services Agency
Information Technology Central
Treasurer-Tax Collector

Delivering efficient public services to benefit our residents and businesses

Priority Overview

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

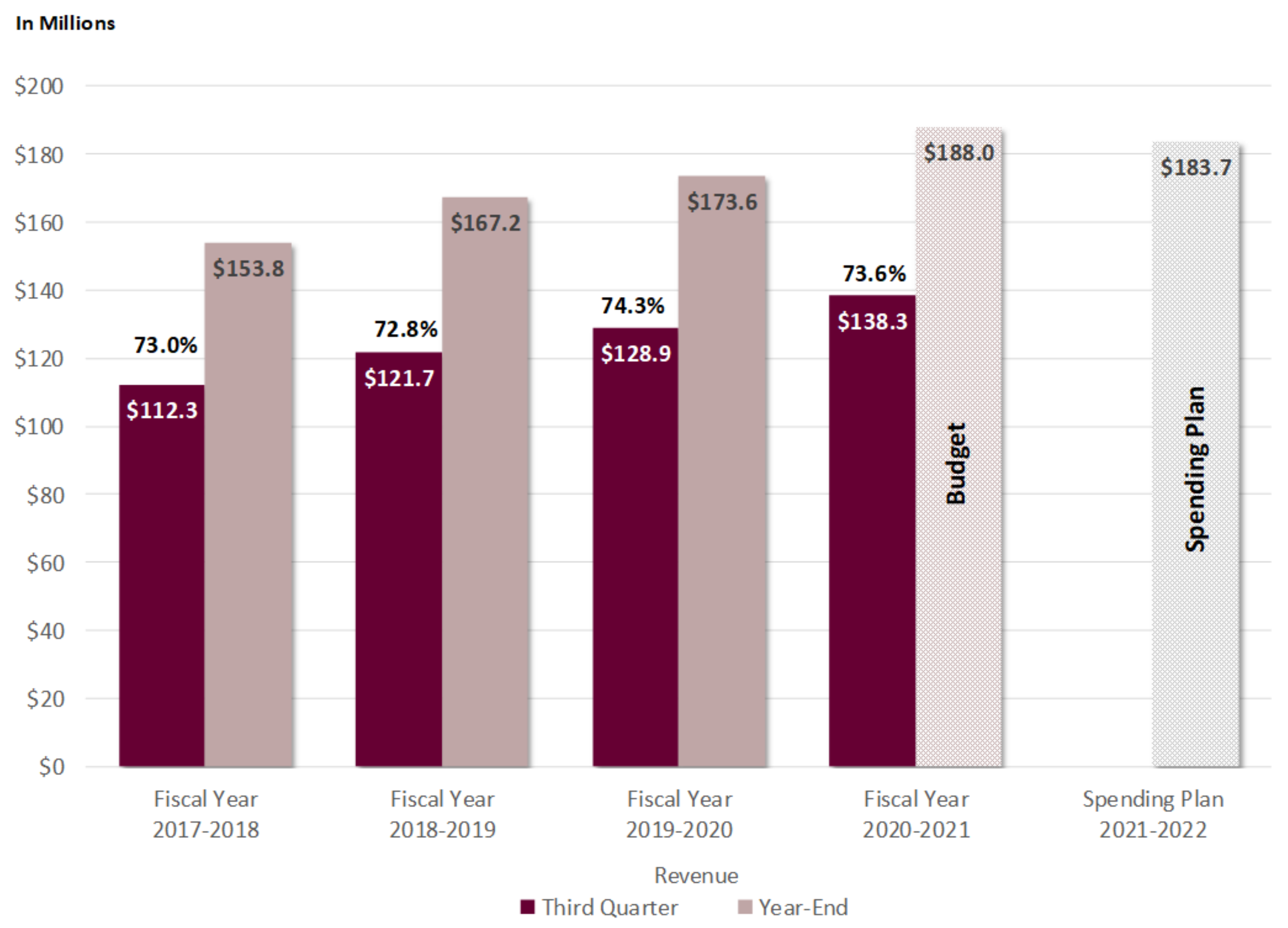
Departments assigned to the Board of Supervisors' priority area of *Delivering Efficient Public Services* include the Assessor, Auditor-Controller, Chief Executive Office, Clerk-Recorder/Elections, County Counsel, General Services Agency, Information Technology Central, and Treasurer-Tax Collector. These departments serve members of the community while also providing valuable services to local agencies and other County departments, internal customers with unique needs to ensure efficient delivery of services. The revenue used to pay for the majority of these services comes from local taxes such as property tax, sales tax, various fees, franchises, charges for services, and a variety of other discretionary funding sources.

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

Departmental Revenue

For the departmental budgets that make up the Board of Supervisors' *Delivering Efficient Public Services* priority area, the actual revenue collected as of March 31, 2021, totaled $138.3 million, which represents 73.6% of the estimated annual revenue and is within range compared to the third quarter point of the previous three years when collections ranged from 72.8% to 74.3% of actual revenue. The increase in revenue this year is attributed to Vehicle License Fee annualized receipts and Sales and Use tax revenues.

Delivering Efficient Public Services Four-Year Revenue Comparison

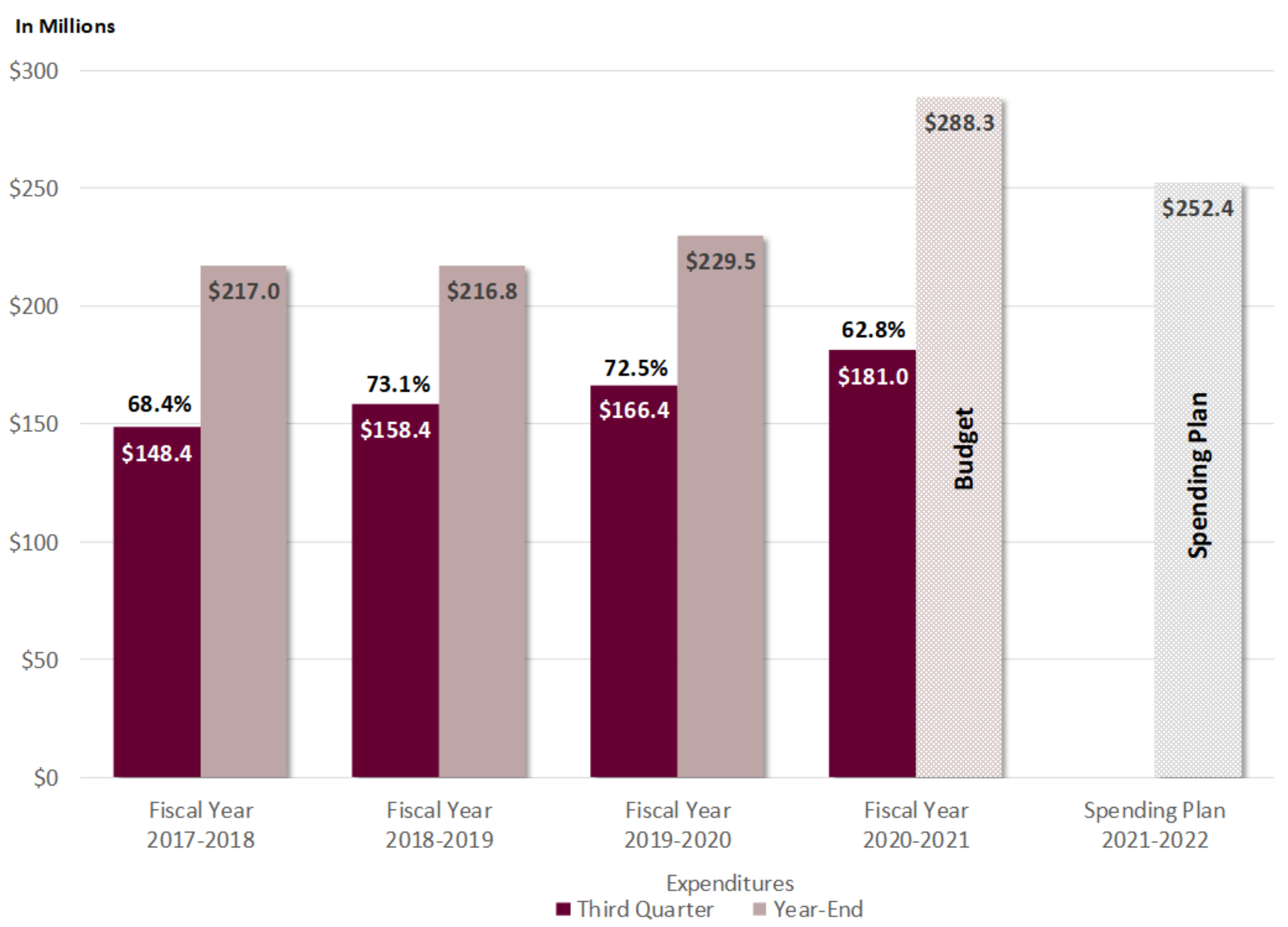


Departmental Expenditures

As of March 31, 2021, expenditures in this Board priority area totaled $181 million, representing 62.8% of the appropriations budgeted for the year. Expenditures at the third quarter point of the previous three fiscal years ranged from a low of 68.4% to a high of 73.1% of actual expenditures, placing this year below the historical range.

Both actual expenditures and budgeted appropriations have experienced increases, however, the increase in budgeted appropriations outpaced the increase in actual expenditures resulting in a lower percent of budget when compared to the previous three years. Significant contributors include delays in project-based activities that reflect lower expenditures. While expenditures are up as a whole, attributed to increases in Cannabis Program, Information Technology Central, and General Services Agency costs, some costs within this priority rarely materialize as budgeted. Contingency funding budgeted in Appropriations for Contingencies began the fiscal year at $12 million. As transfers are made from this account, with only $5.9 million planned through third quarter, the budget is reduced, skewing comparisons between percent of budget and percentage of year-end expenditures. Removing the remaining $6.1 million in contingency funding brings the percentage to budget up to 64.1%, closer to the historical trend.

Delivering Efficient Public Services Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for *Delivering Efficient Public Services* include an increase in appropriations of $3.1 million fo which $69,427 is detailed in technical adjustments described on page 58 of this report, funded by an increase in estimated revenue of $10.2 million, a total increase of $290,000 in the use of fund balance and retained earnings, and a $7.3 million reduction in Net County Cost, including the transfer of $4.7 million from Appropriations for Contingencies. Revenue includes the increase of $2.4 million in Discretionary Revenue.

Auditor-Controller

An increase in estimated revenue and appropriations of $85,000 is being recommended to right size the budget, for cash outs and increased personnel costs related to the pandemic with equal offsetting of revenues funded by Cost Allocation Plan (CAP) charges to departments and other revenue received by the department.

The Internal Audit Division supports mandated purchasing card audits and the Treasury count for the County. This division is currently not staffed due to challenges in retaining staff. To meet the mandated requirements the Department will contract with a qualified independent audit firm to perform cash counts and purchase card review during a two-year pilot period, during which time internal audit positions will be held vacant. An increase in appropriations of $40,000 is being recommended to contract out these services. These costs will be offset by $26,800 in revenue from CAP charges to other departments and will require a General Fund Contribution of $13,200.

New State and County policies placed in effect within the past year, enacted new leave provisions for COVID-19 related reasons, have increased workload in the payroll division with increases in overtime hours and contracted temporary extra-help support. An increase in estimated revenue and appropriations of $50,000, reimbursable through CARES CRF funding is being recommended to support the increased workload during the pandemic.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Auditor-Controller	$85,000	$85,000	$0	$0	Increase appropriations for cash-outs and increased personnel costs, funded by CAP charges and additional revenue received by department.
Auditor-Controller	$26,800	$40,000	$0	$13,200	Increase appropriations for mandated purchasing card audit and Treasury count, funded by revenue from SB90 claims contract, CAP charges and Net County Cost.
Auditor-Controller	$50,000	$50,000	$0	$0	Increase appropriations for temporary help for workload increase due to the pandemic, funded by CRF.
Total	**$161,800**	**$175,000**	**$0**	**$13,200**	

Recommendation: It is recommended to increase appropriations by $175,000, funded by an increase in estimated revenue of $161,800, and increase to Net County Cost of $13,200.

Chief Executive Office

A one-time increase of $148,728 in appropriations is recommended to support unanticipated termination cash-outs in the Chief Executive Office budget. This increase is offset by a decrease of $25,000 in appropriations to remove budget authority for a contract now managed by the Auditor-Controller. The net increase in appropriations of $123,728 is funded with Net County Cost.

Recommended Budget Adjustment					
Budget Unit Name	**Revenue**	**Appropriations**	**Fund Balance/ Retained Earnings**	**Net County Cost/ General Fund Contribution**	**Description**
Chief Executive Office	$0	$148,728	$0	$148,728	Increase appropriations and NCC for Termination Cash outs.
Chief Executive Office	$0	($25,000)	$0	($25,000)	Decrease appropriations and NCC to transfer budget authority to Auditor-Controller for a contract that is managed by that department.
Total	**$0**	**$123,728**	**$0**	**$123,728**	

Recommendation: It is recommended to increase appropriations by $123,728 in the Chief Executive Office budget, funded by Net County Cost.

It is also recommended the Department be allowed transferability between the Chief Executive Office budget and the CEO - Human Relations budget as needed, to end the fiscal year in a positive position.

CEO – Human Relations

An increase in appropriations in the amount of $300,000 is recommended to fund additional legal services needed for labor negotiations and to assist in the resolution of HR issues that otherwise could not be addressed appropriately and timely due to vacancies in the HR Division. These additional expenses were not known at the time of the Fiscal Year 2020-2021 Midyear Financial Report and are one-time. Appropriations will be funded by $30,000 CARES Act CRF revenue and $270,000 additional Net County Cost.

Recommended Budget Adjustment					
Budget Unit Name	**Revenue**	**Appropriations**	**Fund Balance/ Retained Earnings**	**Net County Cost/ General Fund Contribution**	**Description**
CEO – Human Relations	$30,000	$300,000	$0	$270,000	Increase appropriations for legal services, funded by CARES Act CRF revenue and increase in Net County Cost.
Total	**$30,000**	**$300,000**	**$0**	**$270,000**	

Recommendation: It is recommended to increase appropriations by $300,000, funded by $30,000 CARES Act CRF revenue and $270,000 in additional Net County Cost.

It is also recommended the Department be allowed transferability among the Chief Executive Office budget and the CEO Human Relations budget as needed, to end the fiscal year in a positive position.

Clerk-Recorder

Staffing Recommendation: A classification study of one Application Specialist II position was recommended to study in the 2020-2021 Midyear Financial Report. The study has been completed and it is recommended to reclassify the position to block-budgeted Application Specialist II/III to align departmental needs along with current and anticipated job duties of the position with the appropriate classification.

County Operations

A net increase of $2.3 million in appropriations, an increase of $7.8 in estimated revenue, and a decrease of $5.5 million in the reliance on Net County Cost are recommended for County Operations.

County Operations - Vehicle License Fee – An increase of $7,828,092 in appropriations funded with a matching increase in revenue is recommended based on annualized receipts as of March 2021. This is a Realignment pass-through fund in which all funding is transfered to the Community Service Agency to support the State share of the CalWORKs MOE for CalWORKs assistance payments.

Appropriations for Contingencies - This budget serves as the contingency fund for the County and provides funds to meet unexpected and emergency financial exposures which may arise during the fiscal year. The transfer of funds from Appropriations for Contingencies to departmental operating budgets requires a four-fifths vote by the Board of Supervisors. The 2020-2021 Adopted Final Budget included a total of $12,008,510 in appropriations for use during the fiscal year for contingencies related to General Fund cash-outs, health insurance increases, Cost Allocation Plan (CAP) charges, and other miscellaneous unforeseen program or community needs. Transfers of $745,622 and $499,593 were approved to cover a variety of needs at First Quarter and Midyear, respectively, leaving $10,763,295 remaining in Appropriations for Contingencies. There have been no other transfers through March 31, 2021.

At this time, it is recommended that Appropriations for Contingencies be decreased by $4,698,688, transferring funds as follows:

- $3,569,169 for Vacancy Rate Rebates to various General Fund departments as detailed in the Technical Adjustments section of this report;
- $270,000 to CEO - Human Relations for increased attorney services related to COVID-19 and labor negotiations;
- $277,825 to Sheriff - Operations for termination cash-outs;
- $218,380 to Sheriff - Detention for termination cash-outs;
- $148,728 to CEO - Operations and Services for termination cash-outs;
- $50,000 to Parks and Recreation for removal of burned restroom at Frank Raines park;
- $48,627 to Environmental Resources - Groundwater Program for CAP charge increases;
- $37,151 to Sheriff - Administration for termination cash-outs;
- $35,293 for technical adjustment related Health Services Agency-Emergency Medical Services (HSA-EMS) Discretionary Fund increase approved in 2020-2021 Midyear;
- $30,315 to Sheriff - Adult Detention Center for termination cash-outs; and
- $13,200 to Auditor-Controller to support contract for audit, count, and claims.

If all Third Quarter transfers are approved, $6,064,607 will remain in Appropriations for Contingencies for use throughout the balance of Fiscal Year 2020-2021.

Mandated County Match – An overall decrease in appropriations of $809,424 is recommended to reduce reliance on the General Fund. This is the net of a $844,717 reduction in General Fund need by Health Services Agency as the Department anticipates an increase in Realignment revenue, and a technical adjustment increase of $35,293 to provide funding to HSA-EMS Discretionary Fund as approved in the 2020-2021 Midyear Budget.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
County Operations - General Fund Match Vehicle License Fee	$7,828,092	$7,828,092	$0	$0	Increase estimated revenue and appropriations based on annualized receipts to date.
County Operations - Appropriations for Contingencies	$0	($3,569,169)	$0	($3,569,169)	Transfer appropriations for Vacancy Rate Rebate to Ag Commissioner, CEO-HR, Parks, Planning, Public Defender, Sheriff, and Treasurer departments.
County Operations - Appropriations for Contingencies	$0	($13,200)	$0	($13,200)	Transfer to Auditor-Controller to support audit, count, and claims contract.
County Operations - Appropriations for Contingencies	$0	($270,000)	$0	($270,000)	Transfer to CEO-Office- Human Relations to fund increased attorney services needed for labor negotiations and increase in HR issues related to the COVID-19 pandemic.
County Operations - Appropriations for Contingencies	$0	($148,728)	$0	($148,728)	Transfer to Chief Executive Office-Operations and Services to fund termination cash-outs.
County Operations - Appropriations for Contingencies	$0	($48,627)	$0	($48,627)	Transfer to Environmental Resources - Groundwater Program for General Liability and Purchasing CAP charges.
County Operations - Appropriations for Contingencies	$0	($50,000)	$0	($50,000)	Transfer to Parks and Recreation to fund removal of Frank Raines burned restroom.
County Operations - Appropriations for Contingencies	$0	($37,151)	$0	($37,151)	Transfer to Sheriff - Administration to fund termination cash-outs.
County Operations - Appropriations for Contingencies	$0	($30,315)	$0	($30,315)	Transfer to Sheriff - Adult Detention Expansion to fund termination cash-outs.
County Operations - Appropriations for Contingencies	$0	($218,380)	$0	($218,380)	Transfer to Sheriff - Detention to fund termination cash-outs.
County Operations - Appropriations for Contingencies	$0	($277,825)	$0	($277,825)	Transfer to Sheriff - Operations to fund termination cash-outs.
County Operations - Appropriations for Contingencies	$0	($35,293)	$0	($35,293)	Technical adjustment related to HSA-EMS Discretionary Revenue increase in 2020-2021 Midyear Budget.
County Operations - Mandated County Match	$0	$35,293	$0	$35,293	Technical adjustment related to HSA-EMS Discretionary Revenue increase in 2020-2021 Midyear Budget.
County Operations - Mandated County Match	$0	($844,717)	$0	($844,717)	Decrease County Match for HSA due to increased Realignment Revenue projected.
Total	**$7,828,092**	**$2,319,980**	**$0**	**($5,508,112)**	

Recommendation: It is recommended to increase appropriations by $2,319,980, funded by an increase in estimated revenue of $7,828,092, resulting in a decrease to Net County Cost of $5,508,112.

General Services Agency

County Facilities – The Department is requesting an increase of $62,000 in appropriations for unbudgeted costs associated with the Downtown Modesto Partnership District assessments and maintenance costs associated with other County facilities such as 12th Street Garage for increased security and maintenance and the Salvation Army Building for utilities and maintenance. Additionally, the County Facilities Budget did not include additional lease revenue from Tenth Street Place (TSP) tenants for annual escalation costs built into tenant leases and additional fees collected for facilities maintenance services and administrative charges. A third party consultant is currently reviewing all leases and future County Facilities budgets will include all lease revenue.

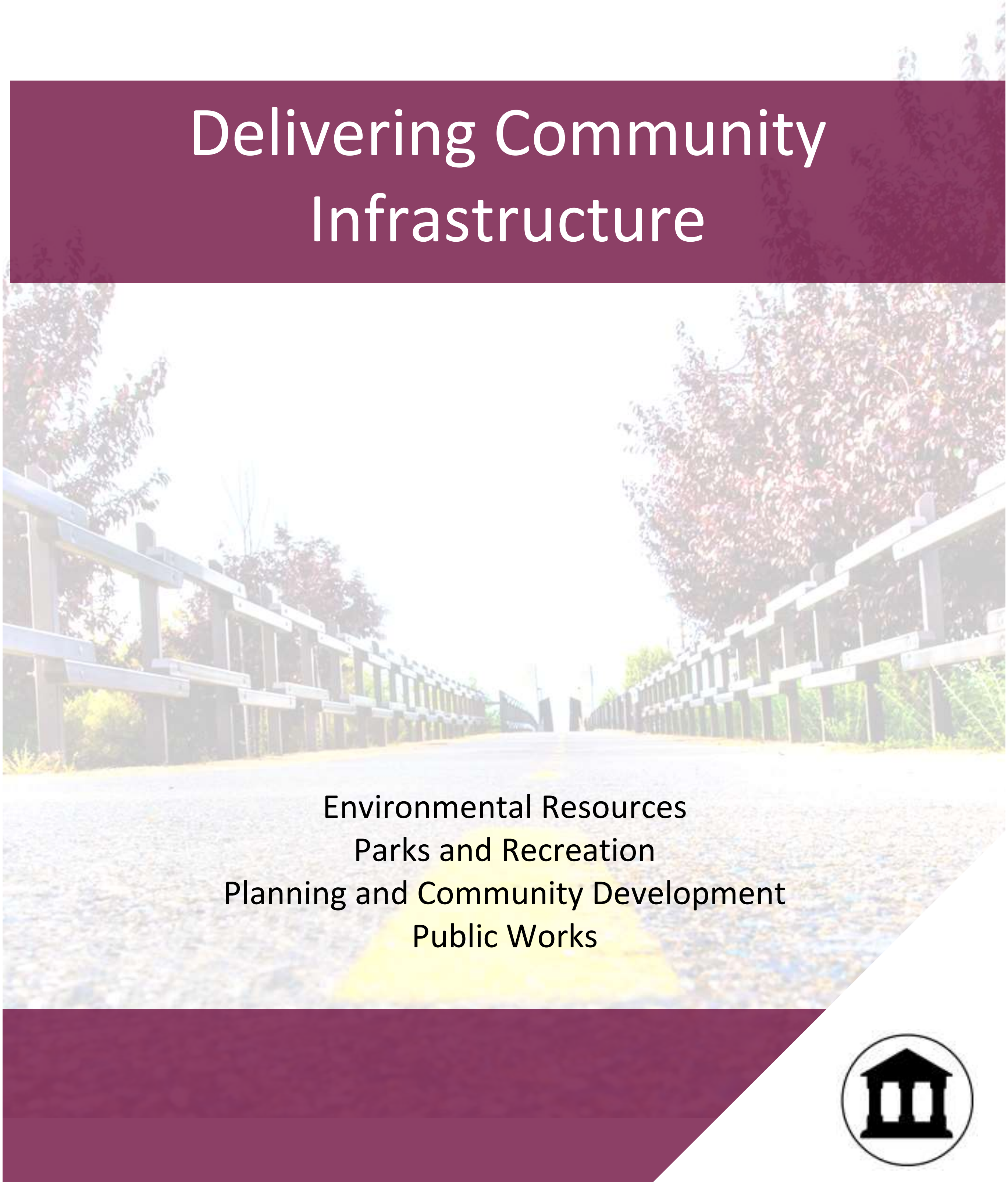
Fleet Services – A transfer of $20,000 in Fixed Assets appropriations is necessary to replace a tire machine that has exceeded its useful life and is beyond repair, and to replace an air conditioner machine that is not compatible with newer vehicles due to recent changes in refrigerant formula.

Additionally, as a result of multiple employees on an unprecendented leaves of absence, primarily due to the COVID-19 pandemic, the Department has seen a significant decrease in billable hours. The Department will fund this revenue loss with $290,000 in retained earnings. Retained earnings balance as of July 1, 2020 was $1.2 million.

Recommended Budget Adjustment					
Budget Unit Name	**Revenue**	**Appropriations**	**Fund Balance/ Retained Earnings**	**Net County Cost/ General Fund Contribution**	**Description**
General Services Agency - County Facilities	$62,000	$62,000	$0	$0	Increase in estimated revenue and appropriations for Downtown Modesto Partnership District (DOMO) assessments, and other County Facilities maintenance costs.
General Services Agency - Fleet Services	$0	($20,000)	($20,000)	$0	Transfer appropriations from Fixed Assets Structures and Improvements to Fixed Assets Garage Equipment.
General Services Agency - Fleet Services	$0	$20,000	$20,000	$0	Transfer appropriations into Fixed Assets Garage Equipment from Fixed Assets Structures and Improvements for the purchase of tire machine and air conditioner machine.
General Services Agency - Fleet Services	($290,000)	$0	$290,000	$0	Decrease revenue and increase use of fund balance due to a decrease in billable services resulting from multiple employees on leave during the fiscal year, primarily due to COVID-19.
Total	**($228,000)**	**$62,000**	**$290,000**	**$0**	

Recommendation: It is recommended to decrease estimated revenue by $228,000 and increase appropriations by $62,000, funded by an increased use of $290,000 in retained earnings.

Delivering Community Infrastructure



Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

Delivering community infrastructure to benefit our residents and businesses

Priority Overview

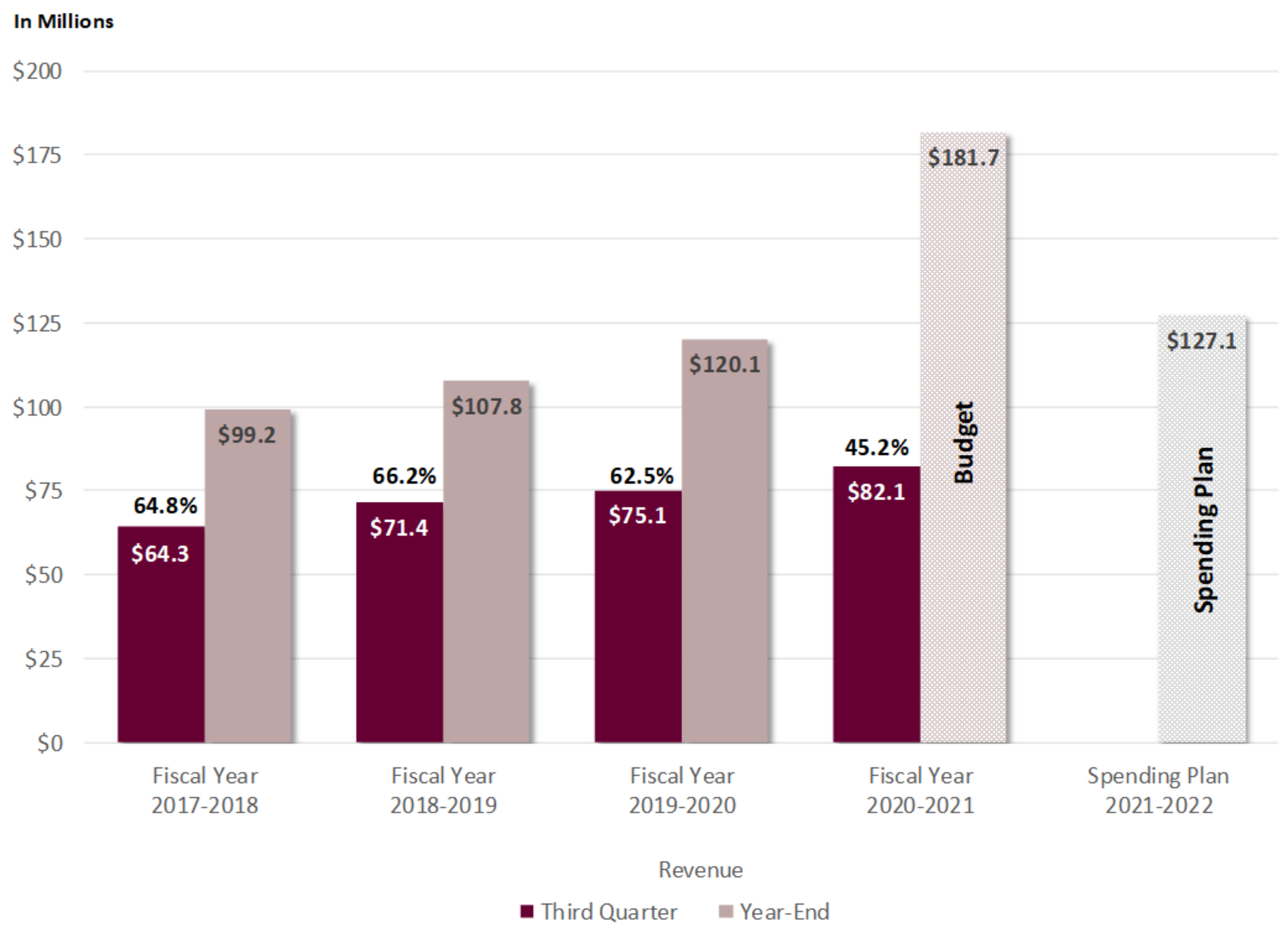
The Board of Supervisors' priority area of *Delivering Community Infrastructure* is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, recreational opportunities, and regional approaches to transportation circulation are critical to community infrastructure. Departments assigned to this priority area include: Environmental Resources, Parks and Recreation, Planning and Community Development, and Public Works. The major funding sources for these departments include State and Federal funding, fees and charges for services, the General Fund, special revenue grants and a 1/2-cent local transportation sales tax commonly referred to as Measure L.

The Department of Parks and Recreation has identified a revenue shortfall as a result of COVID-19 and requires an increase to Net County Cost. With this adjustment recommended in the Third Quarter Financial Report, the departments within *Delivering Community Infrastructure* are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the departmental budgets that are part of the Board priority *Delivering Community Infrastructure* as of March 30, 2021, actual revenue collected totals $82.1 million, which represents 45.2% of the estimated annual revenue. This is below the range when compared to the third quarter point of the prior three years when collections ranged from 62.5% to 66.2% of the final actual revenue. This is primarily due to CARES CRF funding and the timing of road and parks projects.

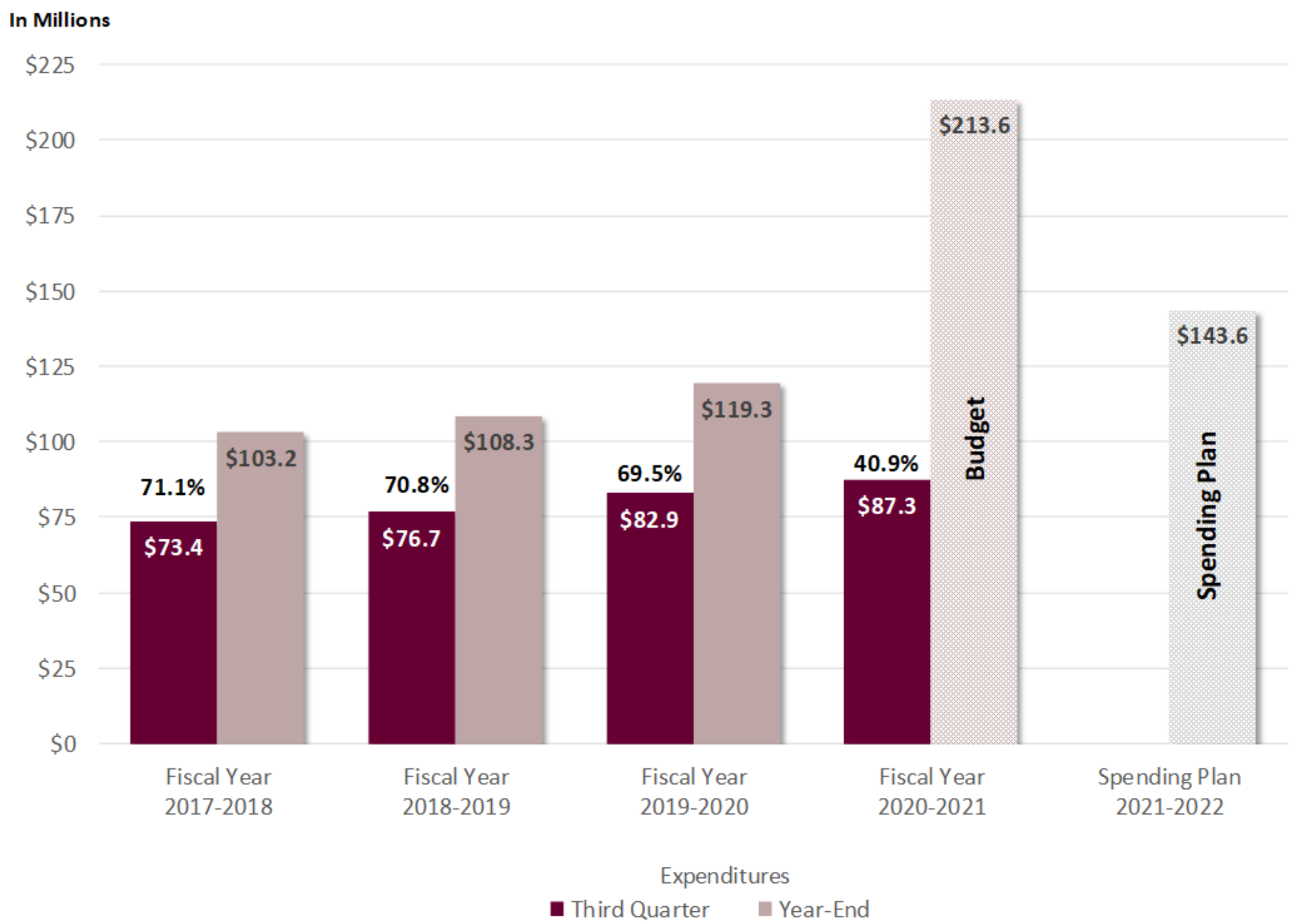
Delivering Community Infrastructure Four-Year Revenue Comparison



Departmental Expenditures

As of March 30, 2021, expenditures total $87.3 million, representing 40.9% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 69.5% to 71.1% of the final actual expenditures, placing this year's expenditures below the normal range. The lower percentage compared to the same time last year is primarily due to the timing of road projects, park improvement projects, and the result of a number of large expenses in the Fink Road Landfill that occur at the end of the fiscal year.

Delivering Community Infrastructure Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for the priority of *Delivering Community Infrastructure* will increase appropriations in the net amount of $69,699 inclusive of $236,246 in technical adjustments detailed on page 58 of this report, and decrease estimated revenue by $968,561. The budget adjustments are funded by $110,000 in use of department retained earnings and $928,260 in General Fund Contribution.

Environmental Resources

Groundwater Program – The Department is projecting an increase in Cost Allocation Plan (CAP) charges in General Liability and Purchasing. This budget was just established in the current fiscal year and had previously been included in the main Environmental Resources budget. Staff continue to monitor costs associated with this program.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
Environmental Resources - Groundwater Program	$0	$48,627	$0	$48,627	Increase appropriations for General Liability and Purchasing Cost Allocation Plan (CAP) charges, funded by Net County Cost.
Total	**$0**	**$48,627**	**$0**	**$48,627**	

Recommendation: It is recommended to increase appropriations by $48,627, funded by an increase in Net County Cost.

Parks and Recreation

Modesto and Woodward Reservoirs endured complete closures or restricted access eleven out of the twelve months of 2020 due to the COVID-19 pandemic. These camping, watercraft, rentals, and day-use restrictions resulted in significant reductions in estimated revenue. The closures also resulted in decreased costs in extra-help salaries, garbage collection, advertising, and various other areas. An increase of $593,387 in Net County Cost will offset the revenue loss.

Additionally, the 2020 Santa Clara Unit (SCU) Lightning Complex fires burned several acres at Frank Raines Off-Highway Vehicle Park. In that fire, a portion of an existing restroom structure was burned, making it inoperative and unsafe. Insurance proceeds are funding the relocation and replacement of the restroom; however, an increase of $50,000 in Net County Cost is requested to demolish the existing, hazardous structure.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Parks and Recreation	($978,561)	($385,174)		$593,387	Decrease in estimated revenue and appropriations due to COVID-19 closures and camping restrictions, funded by an increase in Net County Cost.
Parks and Recreation		$50,000		$50,000	Increase appropriations for the removal of the Frank Raines restroom damaged by fire, funded by Net County Cost.
Total	**($978,561)**	**($335,174)**	**$0**	**$643,387**	

Recommendation: It is recommended to decrease estimated revenue by $978,561 and appropriations in the amount of $335,174, funded by an increase of $643,387 in Net County Cost.

Planning and Community Development

Dangerous Building Abatement – An increase of $10,000 in appropriations is necessary to cover costs associated with two properties currently in the nuisance abatement process. Property tax lien revenue and Neighborhood Stabilization Grant funding will fund the clean-up costs.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Planning-Dangerous Building Abatement	$10,000	$10,000	$0	$0	Increase estimated revenue and appropriations for clean-up of dangerous properties in the County, funded by property tax liens and grant funding.
Total	**$10,000**	**$10,000**	**$0**	**$0**	

Recommendation: It is recommended to increase estimated revenue and appropriations by $10,000.

Public Works

Local Transit – County transit will be consolidating with the City of Modesto to form the Stanislaus Regional Transit Authority (StanRTA) effective July 1, 2021. Current employees will have the option to transition to the new StanRTA. A transfer of fixed asset appropriations in the amount of $100,000 to Salaries and Benefits will allow the department to pay out any vacation and sick leave accruals that will result from employees leaving County employment and choosing to transition to the new StanRTA. This budget will be eliminated effective July 1, 2021.

Morgan Shop – In Fiscal Year 2019-2020, the Office of Emergency Services received grant funding to purchase three generators for the Department of Public Works. In error, department staff liquidated the purchase order and appropriations were not carried forward in the new fiscal year. The Department is requesting to increase fixed asset appropriations to cover the purchase of these generators. Funding is available in the Department's available retained earnings, since the grant proceeds transferred from the prior year were not utilized in that fiscal year.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
Public Works - Local Transit	$0	($100,000)	($100,000)	$0	Transfer appropriations from Fixed Assets to Salaries and Benefits.
Public Works - Local Transit	$0	$100,000	$100,000	$0	Transfer appropriations from Fixed Assets to Salaries and Benefits for employee vacation and sick leave cash-outs due to the transition to Stanislaus Regional Transit Authority (StanRTA) effective July 1, 2021.
Public Works - Local Transit	$0	$110,000	$110,000	$0	Increase Fixed Assets appropriations for the purchase of 3 generators previously approved and funded in the prior Fiscal Year 2019-2020 but not encumbered, funded by retained earning.
Total	**$0**	**$110,000**	**$110,000**	**$0**	

Recommendation: It is recommended to increase appropriations by $110,000, funded by department retained earnings.

Technical Adjustments

Several technical adjustments are recommended in the Third Quarter Financial Report for General Fund departments that were engaged in the zero-base budget process. The County Operations - Appropriations for Contingencies budget included funding for costs that were as yet unknown at the time of the 2020-2021 Final Budget, but were anticipated to materialize later in the year, including salary costs that were greater than the 5% vacancy factor.

As previously identified on page 12 of this report, a vacancy rate rebate totaling $3,569,169 is recommended for seven General Fund departments whose actual vacancy rate as of March 2021 has averaged below 7.5%. Those departments are Agricultural Commissioner, Chief Executive Office, Parks and Recreation, Planning, Public Defender, Sheriff, and Treasurer-Tax Collector. The increase to appropriations will be funded with a transfer of $3,569,169 from Appropriations for Contingencies which is included in the County Operations section of this report.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Agricultural Commissioner	$0	$214,852	$0	$214,852	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
CEO - Human Relations	$0	$93,659	$0	$93,659	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Parks and Recreation	$0	$120,174	$0	$120,174	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Planning	$0	$116,072	$0	$116,072	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Public Defender	$0	$205,896	$0	$205,896	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Sheriff - Administration	$0	$480,812	$0	$480,812	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Sheriff - Adult Detention	$0	$563,231	$0	$563,231	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Sheriff - Detention	$0	$948,454	$0	$948,454	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Sheriff - Operations	$0	$756,592	$0	$756,592	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Treasurer - Administration/Taxes	$0	$69,427	$0	$69,427	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Total	**$0**	**$3,569,169**	**$0**	**$3,569,169**	

Recommendation: It is recommended to increase appropriations by $3,569,169, funded by a transfer from County Operations - Appropriations for Contingencies in the same amount.

Special Districts

At the time of the Fiscal Year 2020-2021 Adopted Final Budget, spending plans were estimated, and appropriations and estimated revenues were approved for the dependent special districts governed by the Board of Supervisors to allow them to operate in the fiscal year. Subsequent analysis during the development of the assessment rates and related operations for the eight months of Fiscal Year 2020-2021 resulted in the requested changes to the Adopted Final Budgets for four County Service Areas (CSA) and six Lighting Districts (LD).

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

County Service Areas

A net increase of appropriations of $6,000 is recommended to the following:

- $1,000 for CSA 16 – Olive Ranch to cover the increase cost of landscaping services;
- $3,000 for CSA 19 – Sterling/Runyan to cover the increase cost of landscaping services;
- $1,000 for CSA 24 – Hideaway Terrace to cover the increased costs of landscaping services;
- $1,000 for CSA 25 – Suncrest II to cover the increased cost of landscaping services.

		Estimated Revenue			Appropriations/Expenditures		
Fund	County Service Area	Fiscal Year 2020-2021 Adopted Final Budget	Recommended Third Quarter Budget Adjustment	Recommended Third Quarter Budget	Fiscal Year 2020-2021 Adopted Final Budget	Recommended Third Quarter Budget Adjustment	Recommended Third Quarter Budget
1823	County Service Area No. 16 - Olive Ranch	$14,583	$0	$14,583	$23,980	$1,000	$24,980
1826	County Service Area No. 19 - Sterling/Runyan	$48,890	$0	$48,890	$85,644	$3,000	$88,644
1831	County Service Area No. 24 - Hideaway Terrace	$7,268	$0	$7,268	$14,305	$1,000	$15,305
1832	County Service Area No. 25 - Suncrest II	$5,941	$0	$5,941	$10,930	$1,000	$11,930
Total			$0			$6,000	

The changes requested bring the previously approved engineers reports, budget schedule and the projects' development and maintenance plans in line with the CSA's budgets.

The total budgeted amount for all the CSAs in Third Quarter Budget 2020-2021 is $1,123,621. The Third Quarter Budget is funded by $717,758 in revenue and $405,863 in fund balance.

Lighting and/or Landscape Districts

A net increase of appropriations of $25,760 is recommended to the following:

- $520 for Country Club A Lighting District to cover the increase costs of maintenance services;
- $20,000 for Denair Lighting District to cover the increase costs of maintenance services;
- $2,600 for Empire Lighting District to cover the increase costs of maintenance services;
- $1,000 for North Oaks Lighting District to cover the increase costs of maintenance services;
- $600 for Peach Blossom Lighting District to cover the increase costs of maintenance services;
- $1,040 for North McHenry 2 District to cover the increase costs of maintenance services.

Fund	Lighting and Lighting Maintenance District	Estimated Revenue			Appropriations/Expenditures		
		Fiscal Year 2020-2021 Adopted Final Budget	Recommended Third Quarter Budget Adjustment	Recommended Third Quarter Budget	Fiscal Year 2020-2021 Adopted Final Budget	Recommended Third Quarter Budget Adjustment	Recommended Third Quarter Budget
1852	Country Club A Lighting District	$4,581	$0	$4,581	$5,004	$520	$5,524
1856	Denair Lighting District	$56,117	$0	$56,117	$163,590	$20,000	$183,590
1857	Empire Lighting District	$30,310	$0	$30,310	$33,900	$2,600	$36,500
1866	North Oaks Lighting District	$4,493	$0	$4,493	$4,910	$1,000	$5,910
1869	Peach Blossom Lighting District	$1,164	$0	$1,164	$1,640	$600	$2,240
1971	North McHenry 2 Lighting District	$3,058	$0	$3,058	$3,098	$1,040	$4,138
Total		$99,723	$0	$99,723	$212,142	$25,760	$237,902

The total budgeted amount for all Lighting and/or Landscape Districts in Third Quarter Budget 2020-2021 is $761,155. The Third Quarter Budget is funded by $569,658 in revenue and $191,497 in fund balance.

Third Quarter Financial Report Conclusion

The Third Quarter Financial Report shows the County budget is balanced inclusive of updated information, and actual performance is tracking well within the 2020-2021 Operating Budget and year-end projections. County staff will continue to monitor Fiscal Year 2020-2021 budget operations and be prepared to recommend any necessary and appropriate adjustments prior to year end, informed by continuous analysis of realized revenue and actual expenditures.

Budget Schedule

The following schedule for upcoming reports to the Board of Supervisors is recommended:

	2021-2022 Proposed Budget	2021-2022 Final Budget
Budget available on County website	June 4, 2021	September 10, 2021
Board of Supervisors Hearing	June 15, 2021	September 21, 2021