First Quarter Financial Report

July – September 2022

Board of Supervisors

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WE BUILD COMMUNITY

Stanislaus County

Submitted by Jody Hayes, Chief Executive Officer

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Introduction

This is the Stanislaus County 2023 First Quarter Financial Report, submitted by the Chief Executive Officer for the period of July 1, 2022, to September 30, 2022. It has been prepared to inform the Board of Supervisors, County leadership, and the general public of the County's fiscal status as of September 30, 2022, the end of the first quarter. The report provides background and updates on the County's budget for Fiscal Year 2023, including summaries and trend analyses on revenue and expenditures for County programs and services organized by Board of Supervisors' priority area. It also highlights any recommended adjustments to County budgets and staffing since the adoption of the 2023 Adopted Budget in September 2022 for approval by the Board of Supervisors.

Background

The 2023 Adopted Budget and the 2024 Spending Plan for Stanislaus County were approved by the Board of Supervisors on September 20, 2022. The Adopted Budget totaled $1.65 billion, and the Spending Plan was established at $1.52 billion, effectively setting the base budget for the second fiscal year for the two-year budget period ending June 30, 2024.

The 2023 Adopted Budget reflected an increase of $160.9 million over the $1.49 billion 2022 Adopted Budget and incorporated adjustments to the 2023 Proposed Budget that was approved in June 2022. The 2023 Proposed Budget established the County's preliminary fiscal year budget with support for existing service levels in all departments with cost-of-doing-business increases totaling $15.4 million and an additional $61 million for new services to the community, inclusive of 47 staff positions providing critical public safety and health services and $8.9 million in carryover projects and encumbrances for multi-year activities, along with investments in infrastructure, vehicles, and equipment.

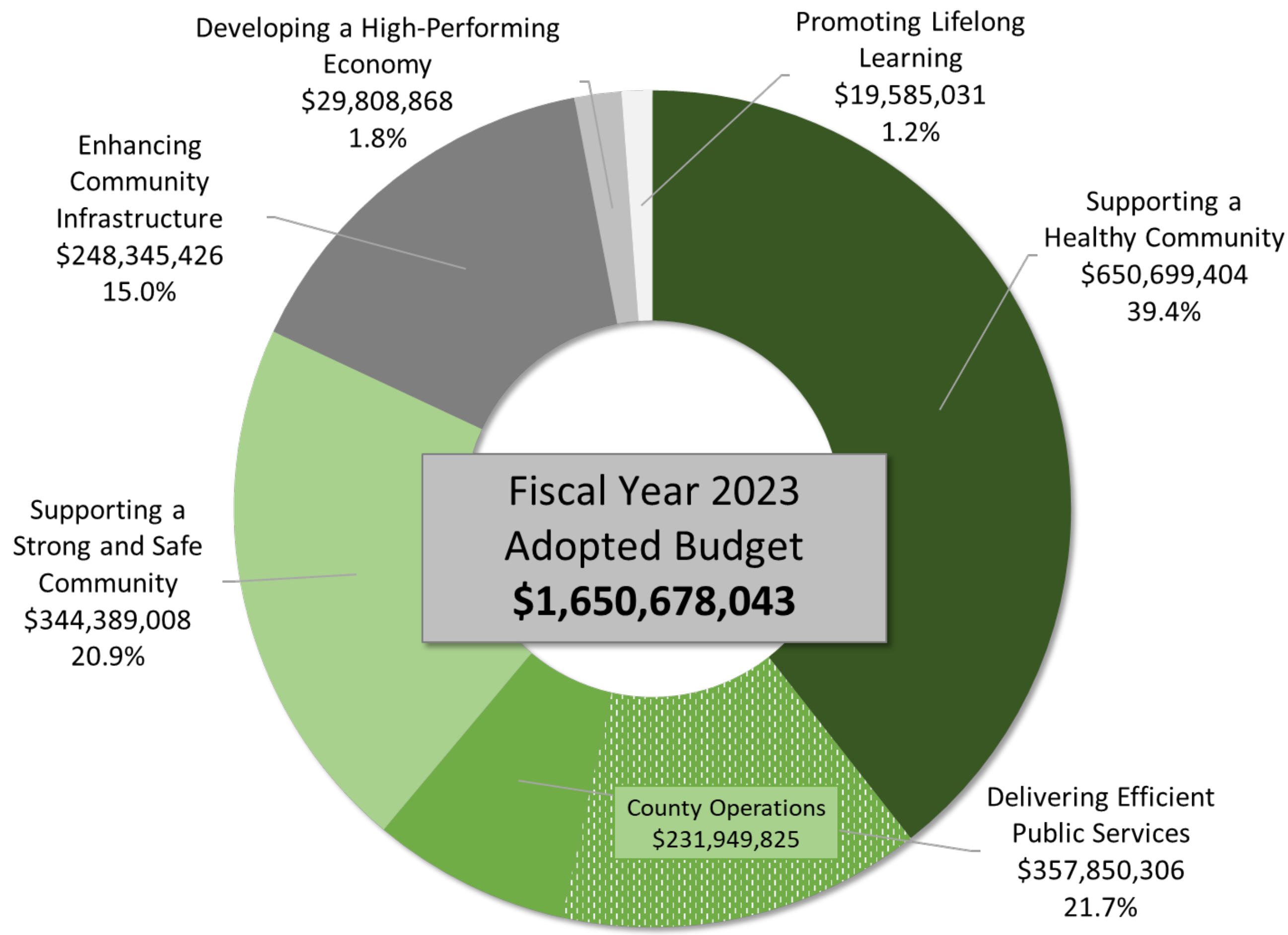
The 2023 Adopted Budget incorporated a variety of technical and policy-driven adjustments to the Proposed Budget, adding another $84.5 million, including support for nine new positions, additional investments in programs, services, vehicles, and equipment, and $9.3 million in technical carry-forward appropriations for ongoing projects and encumbrances. Of note is the implementation of several key strategic initiatives prioritized by the Board of Supervisors, including $16.5 million to begin the first of three years in support of the Building Community Services Investment initiative to improve parks, libraries, and County facilities, and $15 million to establish the Building Community Infrastructure Fund (BCIF) supporting individual district projects at the neighborhood level.

The 2023 Adopted Budget for the General Fund totaled $499.5 million, an increase of $87.7 million over that included in the 2022 Adopted Budget. In addition to providing $31.5 million in support to implement Board-approved building initiatives, the overall increase included $50.3 million for expanded service levels and cost-of-doing-business increases for General Fund-supported departments and $5.9 million in re-appropriations for multi-year projects and encumbered services, all identified through the Proposed and Adopted Budget processes.

2023 Adopted Budget Overview

The County budget is developed and displayed consistent with the Board of Supervisors' priorities. The following chart is organized by these priorities and reflects the total spending authority approved by the Board in the 2023 Adopted Budget, approved on September 20, 2022.

2023 Adopted Budget by Board Priority



Consistent with standard accounting practices, the County's budget is divided into separate financial entities known as "funds." These fund types are used to segregate financial resources and demonstrate legal compliance. The following table reflects the total 2023 Adopted Budget spending authority, also referred to as budgeted appropriations, identified by the appropriate governmental or business-type fund. These are provided alongside the 2022 Adopted Budget for comparison purposes.

Comparison of 2023 Adopted Budget by Fund Type

Budget by Fund Type	2022 Adopted Budget	2023 Adopted Budget	$ Variance 2023 Adopted to 2022 Adopted	% Variance 2023 Adopted to 2022 Adopted
General Fund	$ 411,779,754	$ 499,475,067	$ 87,695,313	21.3%
Special Revenue Fund	866,341,731	919,222,390	52,880,659	6.1%
Capital Projects Fund	799,692	4,875,221	4,075,529	509.6%
Enterprise Fund	74,699,763	73,094,456	(1,605,307)	-2.1%
Internal Service Fund	136,193,398	154,010,909	17,817,511	13.1%
Total All Funds	**$ 1,489,814,338**	**$ 1,650,678,043**	**$ 160,863,705**	**10.8%**

The following table identifies 2023 Adopted Budget appropriations along with the respective funding sources, organized by fund type. The budget is balanced using contributions from the County General fund; this is also referred to as Net County Cost.

2023 Adopted Budget Funding Sources by Fund Type

Fund Type	2023 Adopted Budget	Funding Sources				
		Department Revenue*	Departmental Fund Balance	General Fund Fund Balance	Discretionary Revenue*	General Fund Contribution to Other Funds*
General Fund	$ 499,475,067	$ 152,541,511	$ -	$ 64,243,989	$ 282,689,567	$ -
Special Revenue	919,222,390	818,158,877	58,088,918			42,974,595
Capital Projects	4,875,221	845,245	239,976			3,790,000
Enterprise	73,094,456	58,605,352	12,571,239			1,917,865
Internal Service	154,010,909	141,882,335	12,128,574			-
Total All Funds	**$ 1,650,678,043**	**$ 1,172,033,320**	**$ 83,028,707**	**$ 64,243,989**	**$ 282,689,567**	**$ 48,682,460**
Total Revenue *		$ 1,503,405,347				

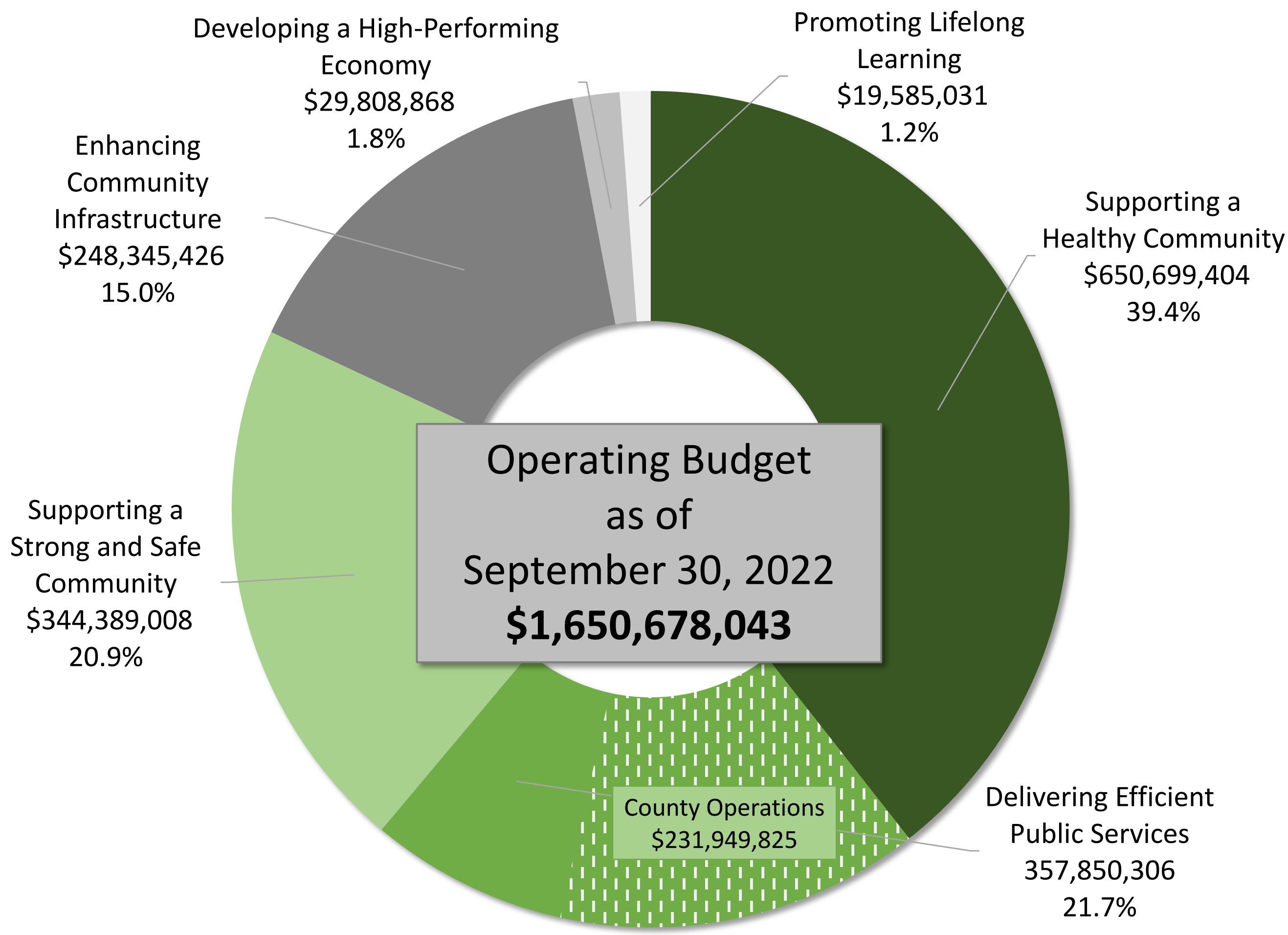
Net of Accounting Transactions, Total General Fund Contribution/Net County Cost is $346,933,556

General Fund budgets are supported by $152.5 million in departmental revenue and $346.9 million in General Fund Contributions, which consist of $282.7 million in estimated Discretionary Revenue and $64.2 million in a combination of assigned and unassigned fund balance. General Fund Contributions in support of other fund types are provided as either mandated County match or contributions supported at the discretion of the Board of Supervisors and are shown here as allocations of Net County Cost for transparency and to identify the true impact to the County General Fund. However, for Financial Statement reporting, these contributions are reflected in accordance with generally accepted accounting principles (GAAP) as Department Revenue.

Operating Budget as of September 30, 2022

The Adopted Budget is adjusted throughout the fiscal year to accommodate the changing needs and activities of the County and its various departments. These adjustments include any approved through agenda items brought before the Board of Supervisors for separate approval outside budget cycles. Additionally, the budget can be adjusted during the quarterly financial reporting process, as needed, based on updated projections and/or changing needs. The Adopted Budget and these various adjustments combine to form the Operating or Legal Budget, identified at a specific point in time. The County's Operating Budget as of September 30, 2022, totals $1.65 billion.

Operating Budget as of September 30, 2022, by Board Priority



2023 First Quarter Financial Report Overview

The primary purpose of the First Quarter Financial Report is to provide an update on the status of the County's budget. Historically, budget adjustments have occurred at this point in the fiscal year to correct any errors or omissions that may have occurred earlier in the budget process or to accommodate any necessary changes resulting from State Budget actions or shifts in economic conditions. The focus of this year's first quarter review is to highlight any impacts from prior year-end close along with analysis on current revenue and expenditure patterns in comparison to those of prior fiscal years to identify any changes in trends without recommending any budgetary adjustments to what was included in the 2023 Adopted Budget.

The 2023 First Quarter Financial Report follows closely behind two robust budget cycles in which departments have appropriated funding sufficient to operate existing programs and services along with the implementation of several key and strategic adjustments to support changing service levels. Additionally, the County has very recently implemented its new financial management system in Oracle Cloud, requiring an organization-wide focus on its successful implementation and training, reserving budget adjustments for the midyear budget process. While there are no First Quarter budget adjustments identified, several classification studies affecting staffing have been completed and are being recommended at this time.

The following table details the composition of the 2023 First Quarter Budget by fund type. All prior-year appropriations were included in the 2023 Proposed and Adopted Budget processes and the previous financial management system closed September without any additional budget adjustments to better support implementation of the new system. Due to these deliberate changes in processes, the Operating Budget as of September 30, 2022, and the 2023 First Quarter Budget are the same as the 2023 Adopted Budget, as shown in the following table.

Development of the First Quarter Budget Recommendations

Fund Type	2023 Adopted Budget	Operating Budget as of 9/30/2022	Recommended 2023 First Quarter Adjustments	Recommended 2023 First Quarter Budget
General Fund	$ 499,475,067	$ 499,475,067	$ -	$ 499,475,067
Special Revenue	919,222,390	919,222,390	-	919,222,390
Capital Projects	4,875,221	4,875,221	-	4,875,221
Enterprise	73,094,456	73,094,456	-	73,094,456
Internal Service	154,010,909	154,010,909	-	154,010,909
Total All Funds	**$ 1,650,678,043**	**$ 1,650,678,043**	**$ -**	**$ 1,650,678,043**

The following table illustrates the beginning fund balances on July 1, 2022, for the various fund types, as well as the projected year-end balances in line with the planned usage of budgeted appropriations, anticipated revenue, and budgeted use of fund balance and retained earnings.

Summary of Fund Balance by Fund Type

Fund Type	Beginning Fund Balance on 7/1/2022	Operating Budget Revenue on 9/30/2022	Operating Budget Appropriations on 9/30/2022	First Quarter Recommended Use of Fund Balance	Projected Fund Balance on 6/30/2023
General Fund	$ 236,369,645	$ 435,231,078	$ 499,475,067	$ -	$ 172,125,656
Special Revenue Funds	333,482,697	861,133,472	919,222,390	-	275,393,779
Capital Projects Funds	3,236,423	4,635,245	4,875,221	-	2,996,447
Enterprise Funds	99,298,896	60,523,217	73,094,456	-	86,727,657
Internal Service Funds	40,696,320	141,882,335	154,010,909	-	28,567,746
Total All Funds	**$ 713,083,980**	**$ 1,503,405,347**	**$ 1,650,678,043**	**$ -**	**$ 565,811,284**

The 2023 Adopted Budget document reported a total beginning fund balance of $754.5 million. Since that time, post-closing adjustments totaling ($41.4 million) have been posted for all funds, which resulted in a beginning fund balance of $713.1 million. Post-closing adjustments have long been a component of the County's year-end process and include interest accruals and fair market value (FMV) adjustments. The Fiscal Year 2022 post-close adjustments resulted in a more substantial impact to beginning fund balance due to the recording of FMV, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, requiring that investments be reported at their fair value with all changes in fair value reflected in income for the period in which they occur. Fair value estimates are affected by economic factors, including interest rates and inflation, explaining why this past year's adjustments vary significantly from those in recent history. The following table shows the impact from the Fiscal Year 2022 post-close adjustments to beginning fund balance across all fund types.

Fund Type	Beginning Fund Balance per 2023 Adopted Budget*	Beginning Fund Balance as of 09/30/2022	Variance
General Fund	$ 261,984,675	$ 236,369,645	$ (25,615,030)
Special Revenue	344,769,976	333,482,697	(11,287,279)
Capital Projects	3,406,213	3,236,423	(169,790)
Enterprise	99,853,350	99,298,896	(554,454)
Internal Service	44,472,123	40,696,320	(3,775,803)
Total All Funds	**$ 754,486,337**	**$ 713,083,980**	**$ (41,402,357)**

* Note: Fund balance figures may continue to update until the Fiscal Year 2022 Annual Comprehensive Financial Report is complete.

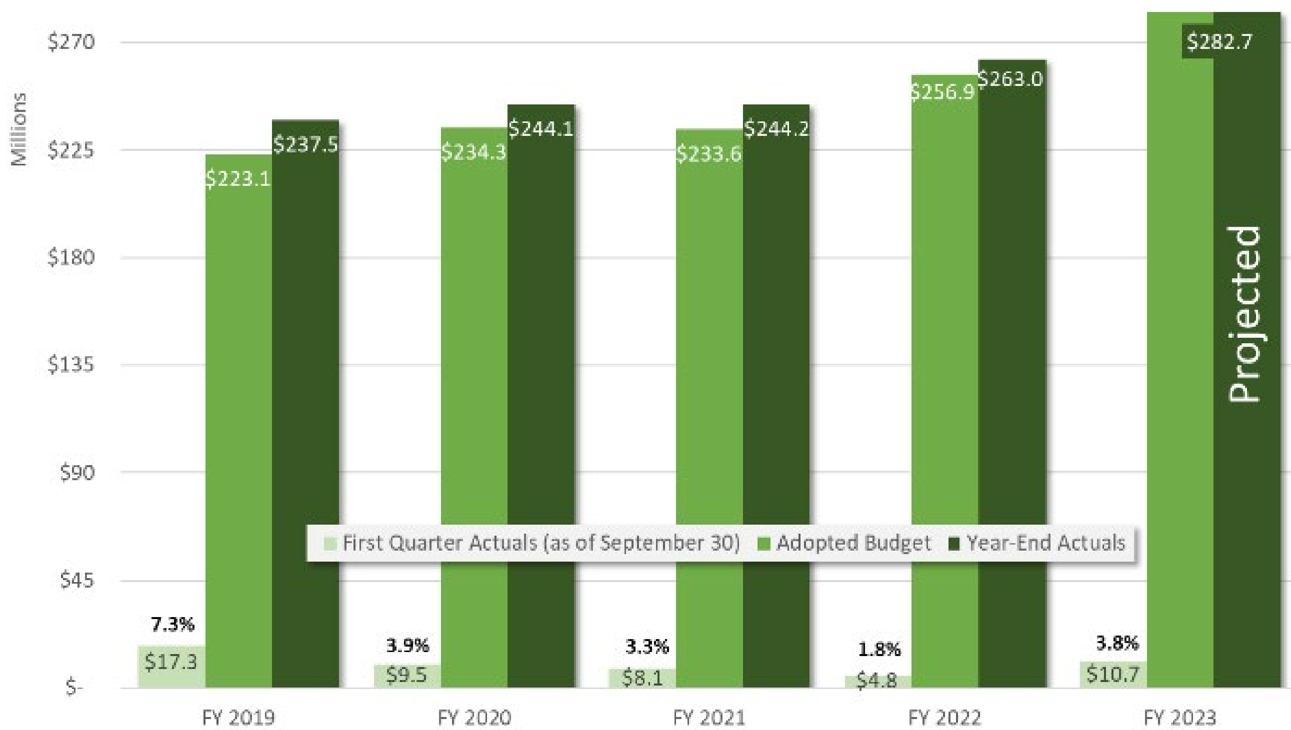
The FMV entry will be reversed as part of the Fiscal Year 2023 year-end close process. With implementation of the new financial management system in Oracle Cloud, the County can now readily track accounting adjustments such as FMV separately without affecting beginning fund balance as is currently seen in the interim period between post-close adjustments.

Discretionary Revenue

As of September 30, 2022, approximately $10.7 million in Discretionary Revenue has been received, representing 3.8% of the 2023 Adopted Budget of $282.7 million. For the last four years, Discretionary Revenue collected by the end of the first quarter ranged from 1.9% to 7.8% of the Adopted Budget and from 1.8% to 7.3% of year-end actual totals. Current-year Discretionary Revenue received during the first quarter is within both ranges identified in the most recent four years.

The following chart provides a five-year comparison of first quarter activity, including current year data, to show the first three months in revenue receipts, each year's Adopted Budget, and year-end actuals for the previous four years, with first quarter projections noted for Fiscal Year 2023 equal to that of the 2023 Adopted Budget.

Fiscal Year 2022 includes the impact of the FMV of investments adjustment, representing the portion of investments purchased with pooled cash which is allocable to the County General Fund and recorded as Discretionary Revenue, reducing the Fiscal Year 2022 year-end Discretionary Revenue balance by approximately $25 million from $288 million to $263 million. As noted above, recording the annual FMV adjustment is required by GASB Statement No. 31.



District Attorney
Grand Jury
Probation
Public Defender
Sheriff

Supporting a Strong and Safe Community

Supporting a Strong and Safe Community

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

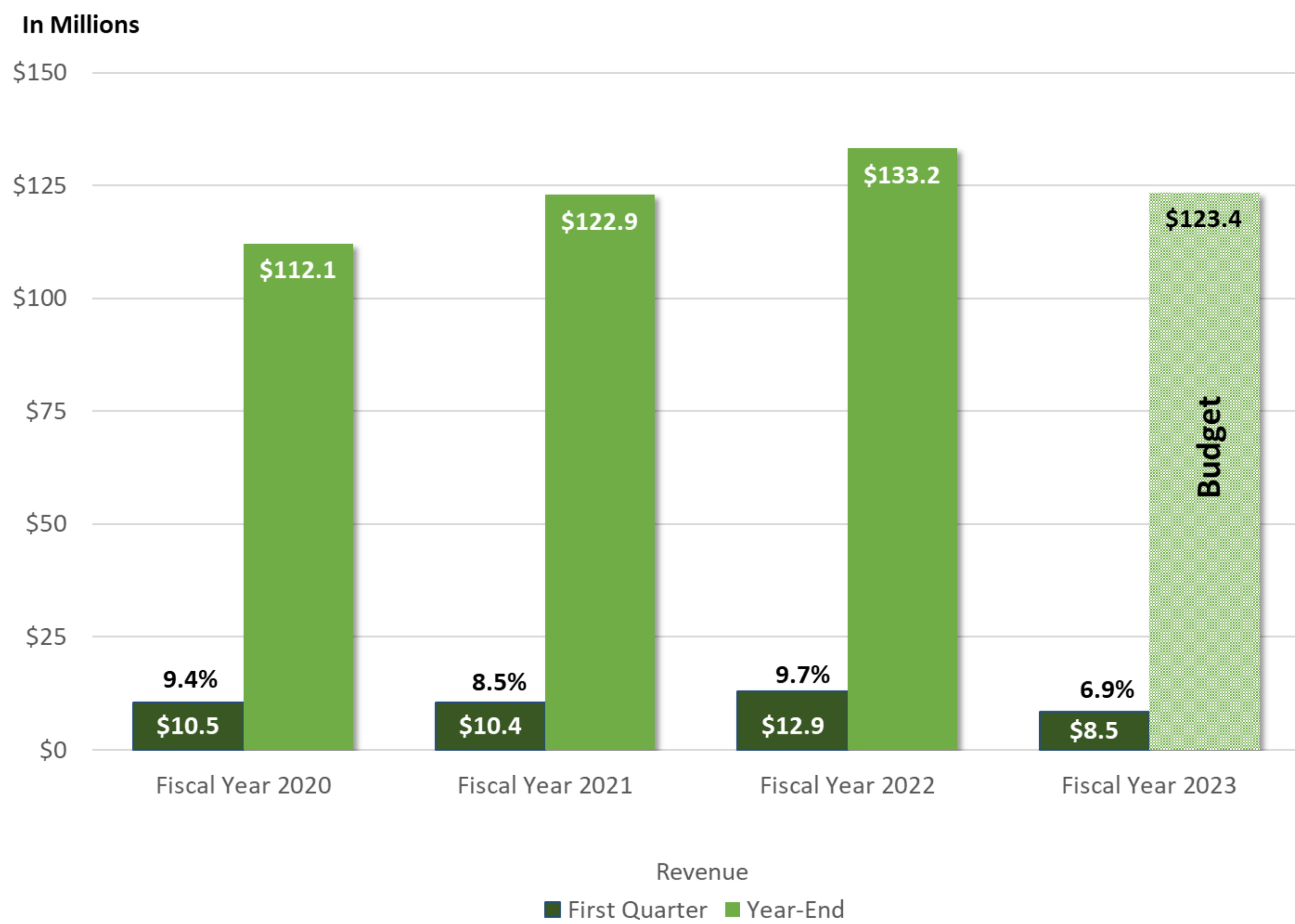
Departmental Revenue

For the departmental budgets that are part of the Board of Supervisors' priority area *Supporting a Strong and Safe Community,* as of September 30, 2022, actual revenue collected totaled $8.5 million, which represents 6.9% of the estimated annual revenue. This is below the historical range when compared to the first quarter point of the prior three years when collections ranged from 8.5% to 9.7% of the final revenue receipts.

Factors associated with the recent implementation of the County's new Enterprise Resource Planning (ERP) system are affecting current-year receipts through first quarter. A consistent source of revenue for this priority, Realignment Revenue has not yet posted due to the timing of conversion between financial management systems, which contributes to the lower-than-expected year-to-date figure. In preparation of integration, County Operations, Capital Projects, and Integrated Criminal Justice Information System funds traditionally categorized within this Board priority were moved to fall within the *Delivering Efficient Public Services* priority, removing associated revenue from this year's totals.

Departments will continue to monitor revenue receipts as processes catch up in the new system, anticipating closer alignment with historical trends.

Supporting a Strong and Safe Community Four-Year Revenue Comparison



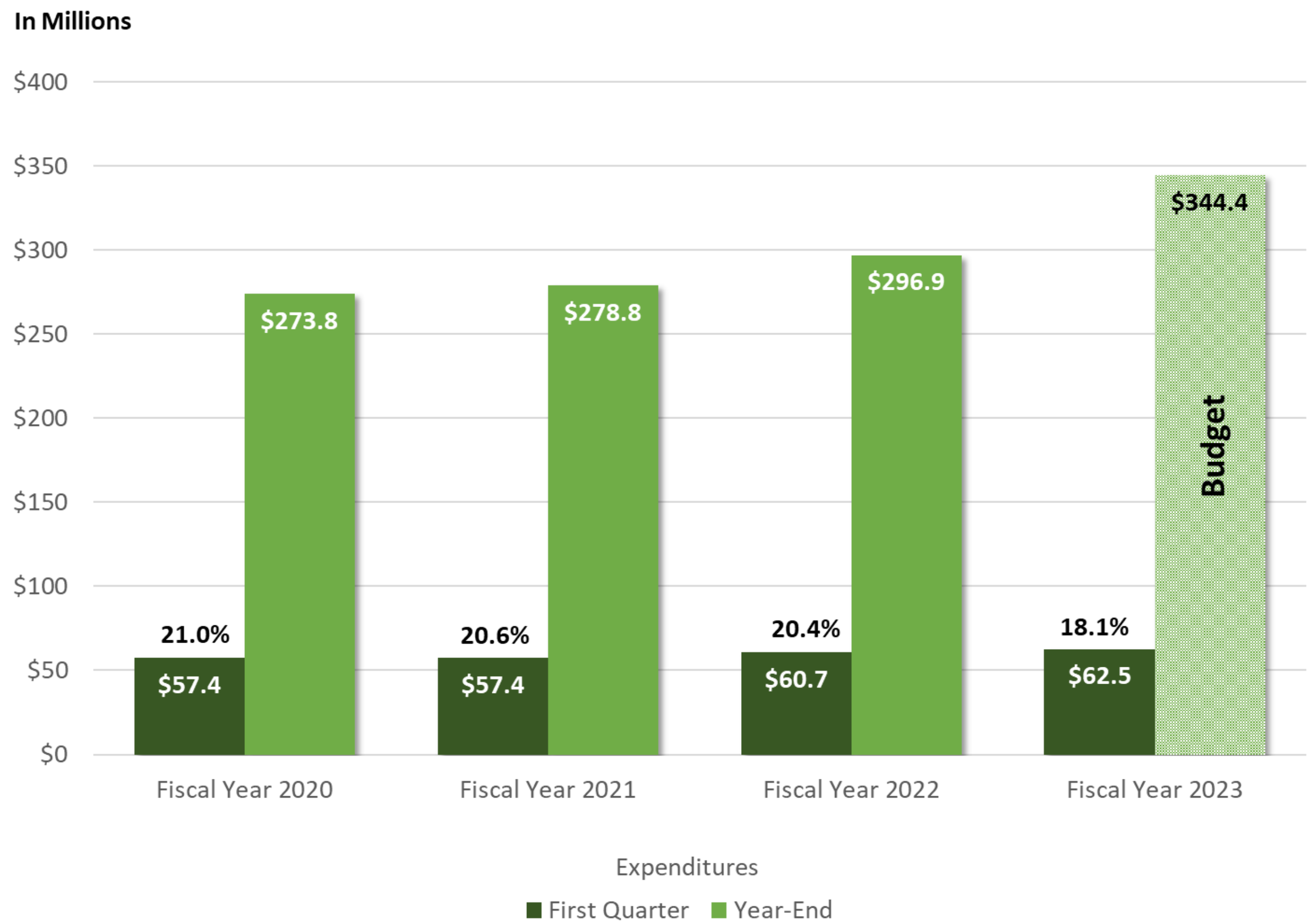
Departmental Expenditures

As of September 30, 2022, expenditures totaled $62.5 million, representing 18.1% of budgeted appropriations. This year-to-date percentage is below the historical range when compared to the first quarter point of the prior three years when expenditures ranged from 20.4% to 21% of the final actual expenditures.

While expenditures to date have increased by $1.8 million over that experienced last year at this time, significant budget investments in new initiatives and staffing support have not yet been fully realized as it takes time to bring these changes to fruition. Additionally, budgeted rising costs derived through the cost allocation plan (CAP) have not impacted departments as the CAP charges have not yet been posted due to deliberately slowed processes associated with conversion to the new ERP.

Departments anticipate that as implementation of the new system nears completion, expenditures will more closely align with historical patterns.

Supporting a Strong and Safe Community Four-Year Expenditures Comparison



First Quarter Issues and Recommendations

Sheriff

Staffing Recommendation: A request for a classification study was submitted by the Department and recommended for study in the 2021 Midyear Financial Report. The study has been completed, concluding with a recommendation to reclassify one Confidential Assistant IV position to a block-budgeted Manager I/II to support the Department's Human Resources (HR) Division with Administrative HR duties. It is also recommended to reclassify one block-budgeted Infrastructure Engineer I/II position to Infrastructure Engineer III.

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

Supporting a Healthy Community

Supporting a Healthy Community

Priority Overview

Supporting a Healthy Community is vital to the quality of life for our residents. Protecting and promoting the physical health and safety of our residents includes disease prevention, disability, and death. Protecting emotional safety focuses on social problems like homelessness, incarceration, and fragmented families with financial and emotional needs. Resources dedicated to prevention allow services to reach a broader population.

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

Departmental Revenue

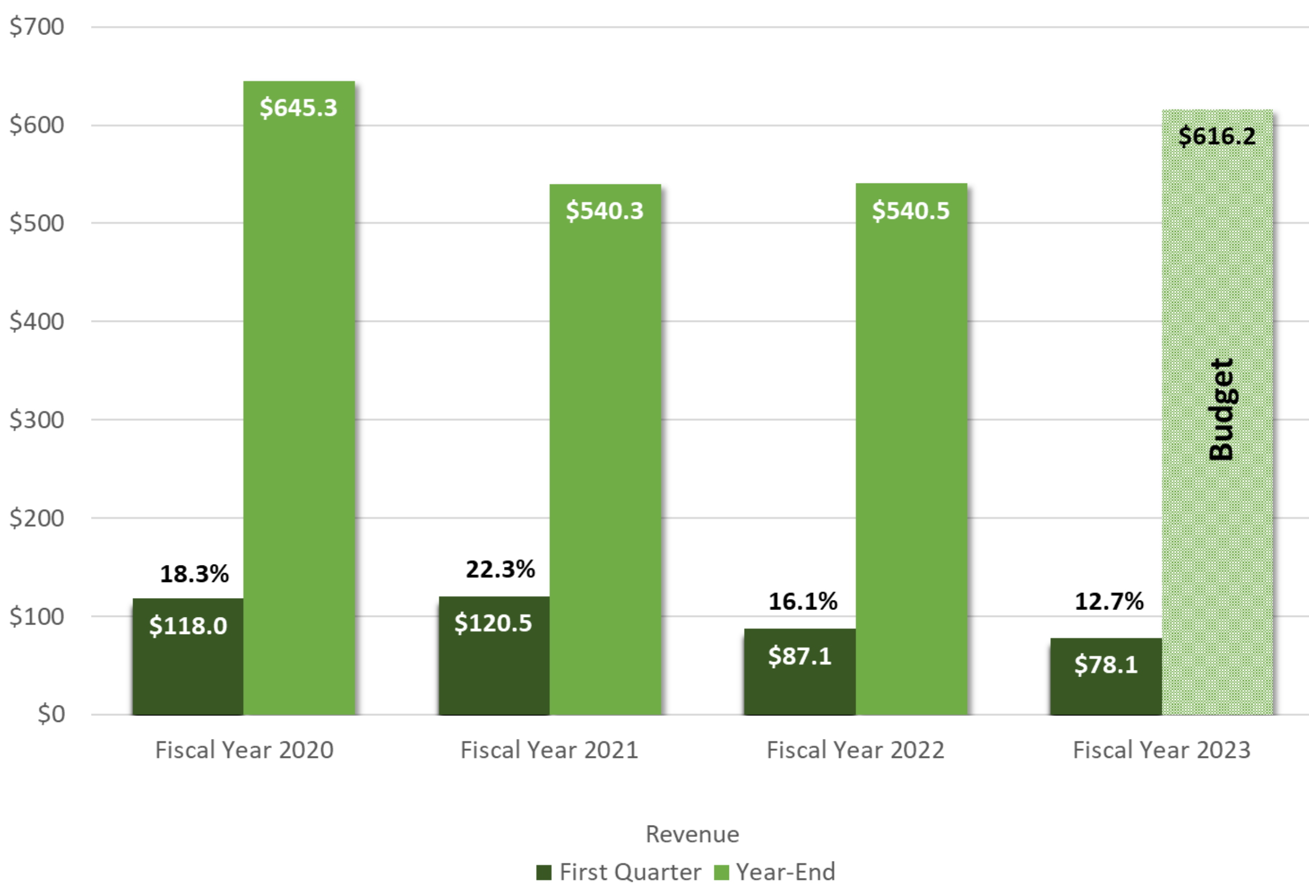
For the departmental budgets that are part of the priority *Supporting a Healthy Community*, actual revenue received as of September 30, 2022, totals $78.1 million, which represents 12.7% of the estimated annual revenue. This ratio is below the range when comparing to revenue received in the first quarter of the previous three years when collections ranged from 16.1% to 22.3% of year-end actual totals. This variance is due to several factors within the Behavioral Health and Recovery Services (BHRS), Community Services Agency (CSA) and Health Services Agency (HSA) budget units.

BHRS is receiving historic levels of State funding, including $11.1 million in Mental Health Services Act funding, leading to an overall increase in budgeted revenue for this priority. CSA corrected an audit finding in the 2022 Adopted Budget decreasing revenue and costs by $160.1 million in the In-Home Supportive Services (IHSS) Provider Wages. In addition, CSA received $2 million in Homeless Housing, Assistance and Prevention (HHAP) Grant Program round two funding in September 2021, increasing the prior year's revenue receipts relative to this fiscal year.

HSA revenue is lower this fiscal year in both the Administration and Public Health budgets due to decreased COVID-related grant funding and State-donated Personal Protective Equipment (PPE) that was accounted for in the prior fiscal year. Lastly, due to the Oracle Conversion, revenue accruals, Mandated County Match revenue, and unrealized Realignment Revenue was delayed and did not post until October, which has understated revenue through September this fiscal year.

Supporting a Healthy Community Four-Year Revenue Comparison

In Millions

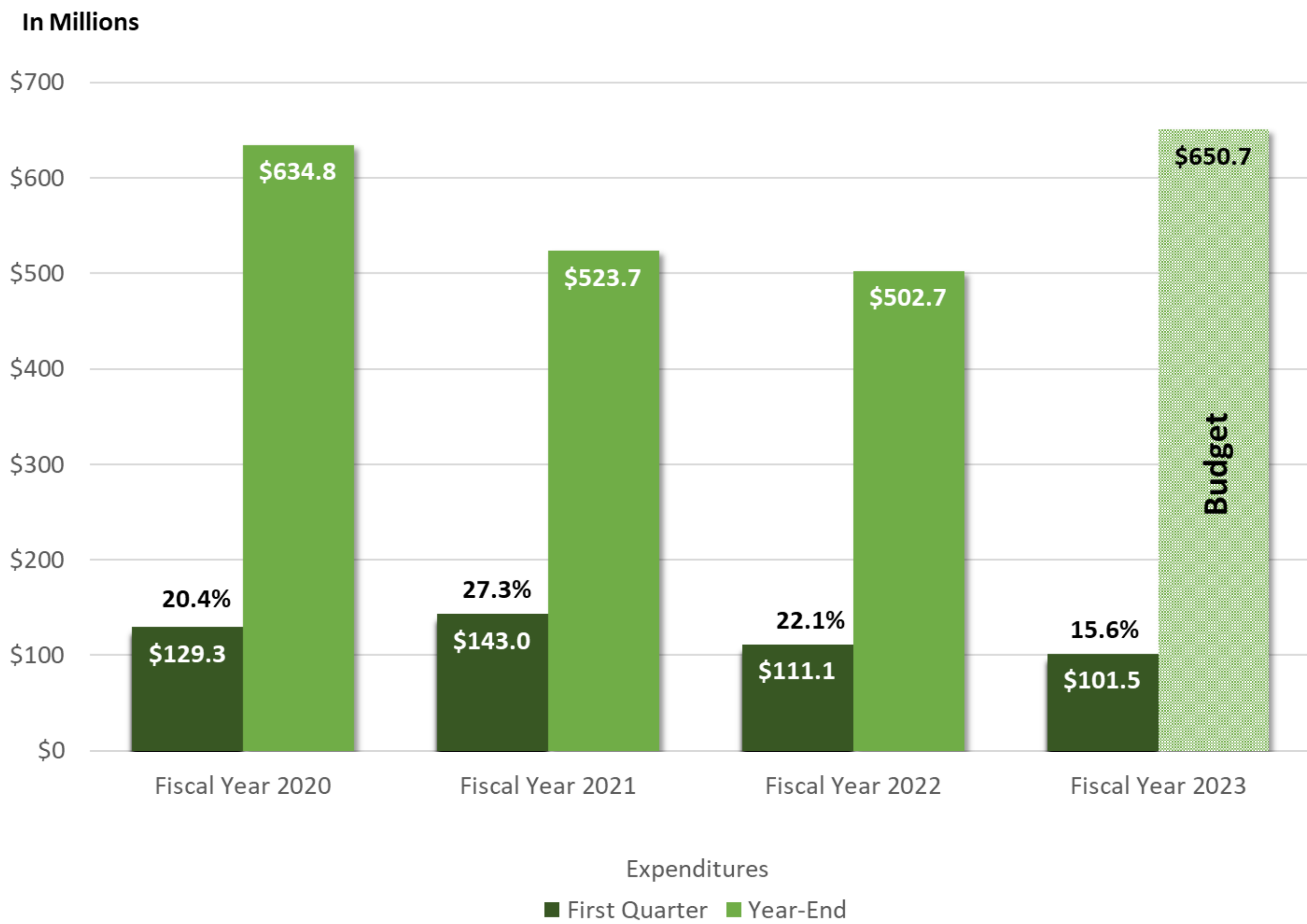


Departmental Expenditures

As of September 30, 2022, expenditures in this priority area totaled $101.5 million, representing 15.6% of budgeted appropriations. Actual expenditures identified at the first quarter point of the previous three years as a ratio of year-end costs represented a range of 20.4% to 27.3% of the final annual expenditures, placing this year's rate of expenditures below the historical range. This variance is due to several factors within the BHRS, CSA, and HSA budget units, similar to that described in the revenue trend analysis.

BHRS is appropriating historic levels of State funding, including $11.1 million in Mental Health Services Act funding, leading to an overall increase in budgeted appropriations. CSA corrected an audit finding in the 2022 Adopted Budget decreasing costs by $160.1 million in the IHSS Provider Wages. Due to the Oracle Conversion, there were various transactions such as Cost Allocation Plan charges, payables, and expenditure accruals that were delayed and did not post until October which has understated expenditures through September this fiscal year.

Supporting a Healthy Community Four-Year Expenditures Comparison



First Quarter Issues and Recommendations

Behavioral Health and Recovery Services

Staffing Recommendation: A request for a classification study was submitted in the 2021 Midyear Financial Report. The study has been completed, concluding with a recommendation to reclassify one Administrative Clerk III position to Legal Clerk III to accurately align the job duties with this position.

Health Services Agency

Staffing Recommendation: It is recommended to remove two unclassified part-time extra help classifications: Clinic Support Worker and Clinic Vaccinator. These classifications were added temporarily to support the COVID-19 Vaccine Clinic Operations during the declared state of emergency.

Agricultural Commissioner
UC Cooperative Extension
Workforce Development

Developing a High-Performing Economy

Developing a High-Performing Economy

Priority Overview

The Board of Supervisors' priority area of *Developing a High-Performing Economy* recognizes the critical role that County government can play in supporting a local economy that promotes, protects, and sustains our agricultural economy 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 High-Performing Economy*. Departments and programs assigned to this priority area include the Agricultural Commissioner, the University of California (UC) Cooperative Extension, and Workforce Development.

Departments in this priority recognize the vital role of the County's number one industry, agriculture, that generates $3.5 billion in value of agricultural commodities per year. Farmland conversion, air pollution mitigation, 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 High-Performing Economy.* Stanislaus County is an international agri-business powerhouse. The gross value of agricultural production for 2021 was $3.5 billion, an increase of 2% over the 2020 value

There are various funding sources supporting departments in this priority area. The Agricultural Commissioner receives State funding for several programs and charges for specific services, along with funding from the General Fund. Cooperative Extension's University of California advisors are funded through the UC system; however, the County provides General Fund support for staffing and operational expenses. Workforce Development receives Federal and State funds (Workforce Innovation and Opportunity Act and CalWorks) for work focused on meeting its mission.

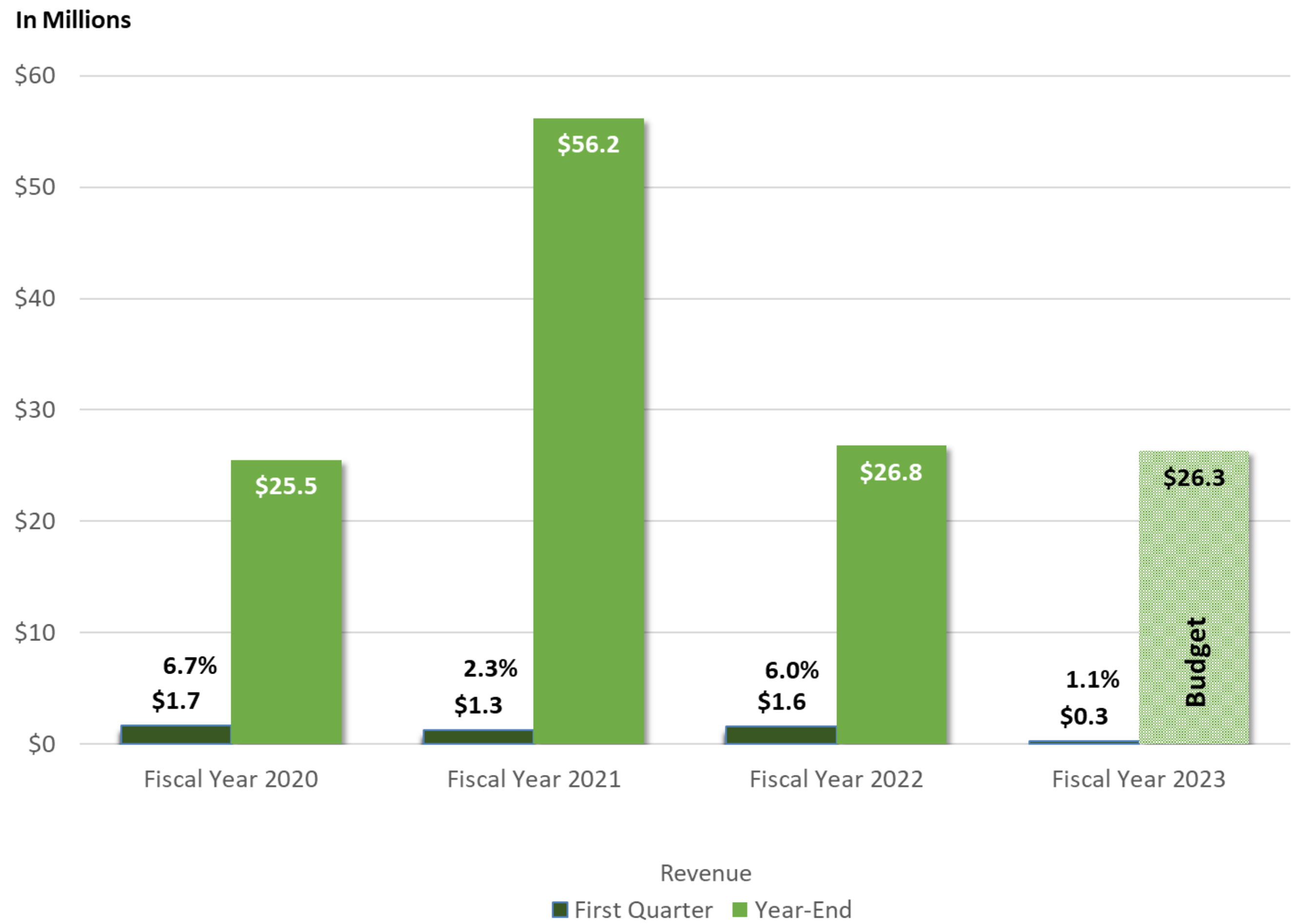
While the agricultural industry is a significant economic driver in the County, regional economic development strategies are in place to increase economic diversity. Initiatives include job creation, business assistance and retention, demand-driven workforce readiness and innovation. Overall, the departments within the priority *Developing a High-Performing Economy* are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the departments contained in the Board of Supervisors' priority area of *Developing a High-Performing Economy* as of September 30, 2022, actual revenue collected was $321,385, which represents 1.1% of the estimated annual revenue. This is below the range when compared to the first quarter of the prior three years when collections were 2.3% to 6.7% of the final actual revenue. This is mostly due to the timing and "blackout period" associated with the Oracle Cloud conversion, which impacted the posting of various revenues.

Of particular note, revenue increased by $30.7 million in Fiscal Year 2021 to a four-year high of $56.2 million due to the Coronavirus Relief Fund (CRF) funding allocated to the CEO-Economic Development Bank budget, housed in this priority at that time. Revenue fluctuations for this priority area are primarily due to the infusion of this CRF funding, affecting overall trend ratios when evaluated over the past few years. The budget for Fiscal Years 2020, 2022, and 2023 are more representative of the revenue traditionally received in this priority area.

Developing a High-Performing Economy Four-Year Revenue Comparison

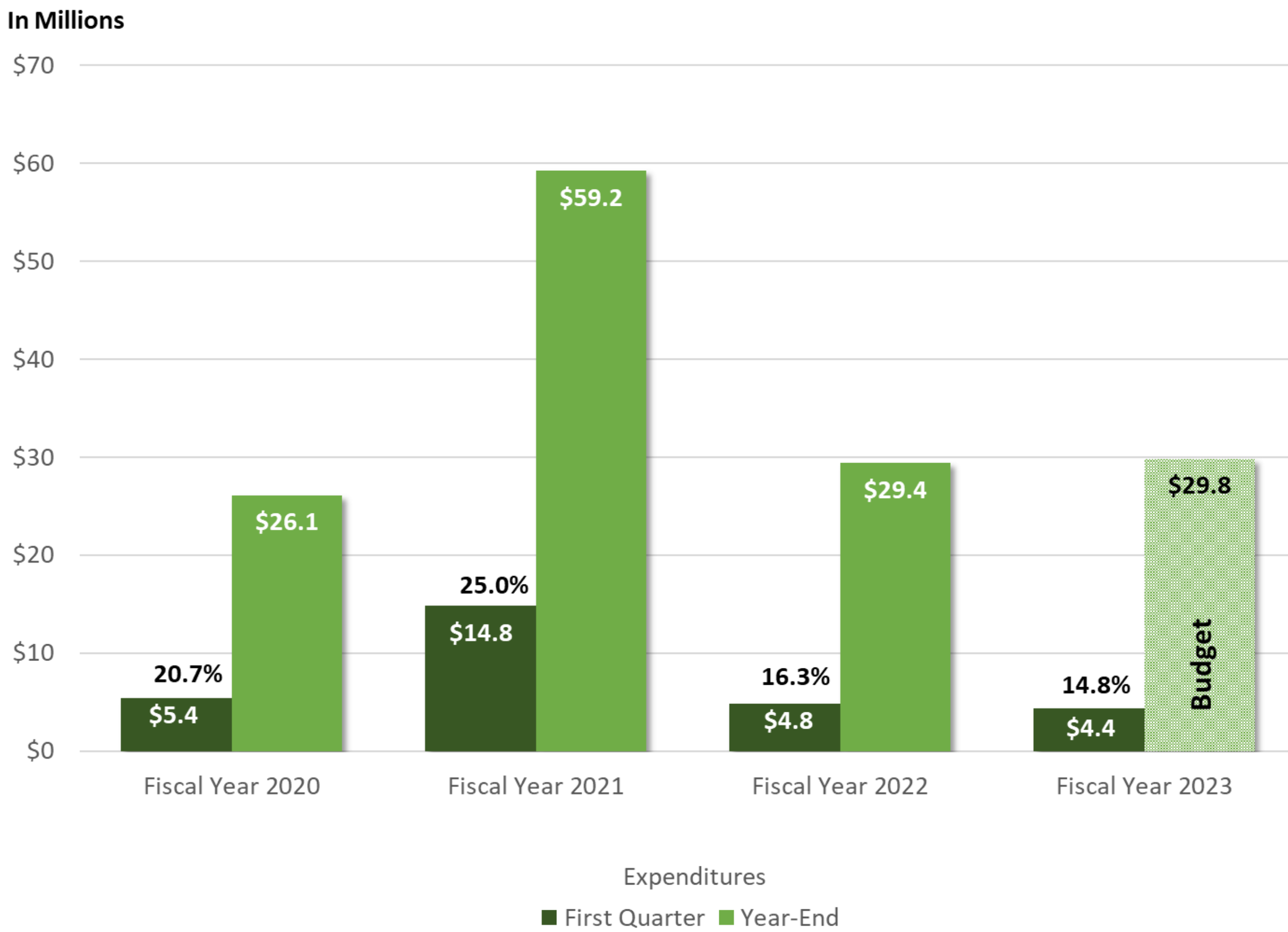


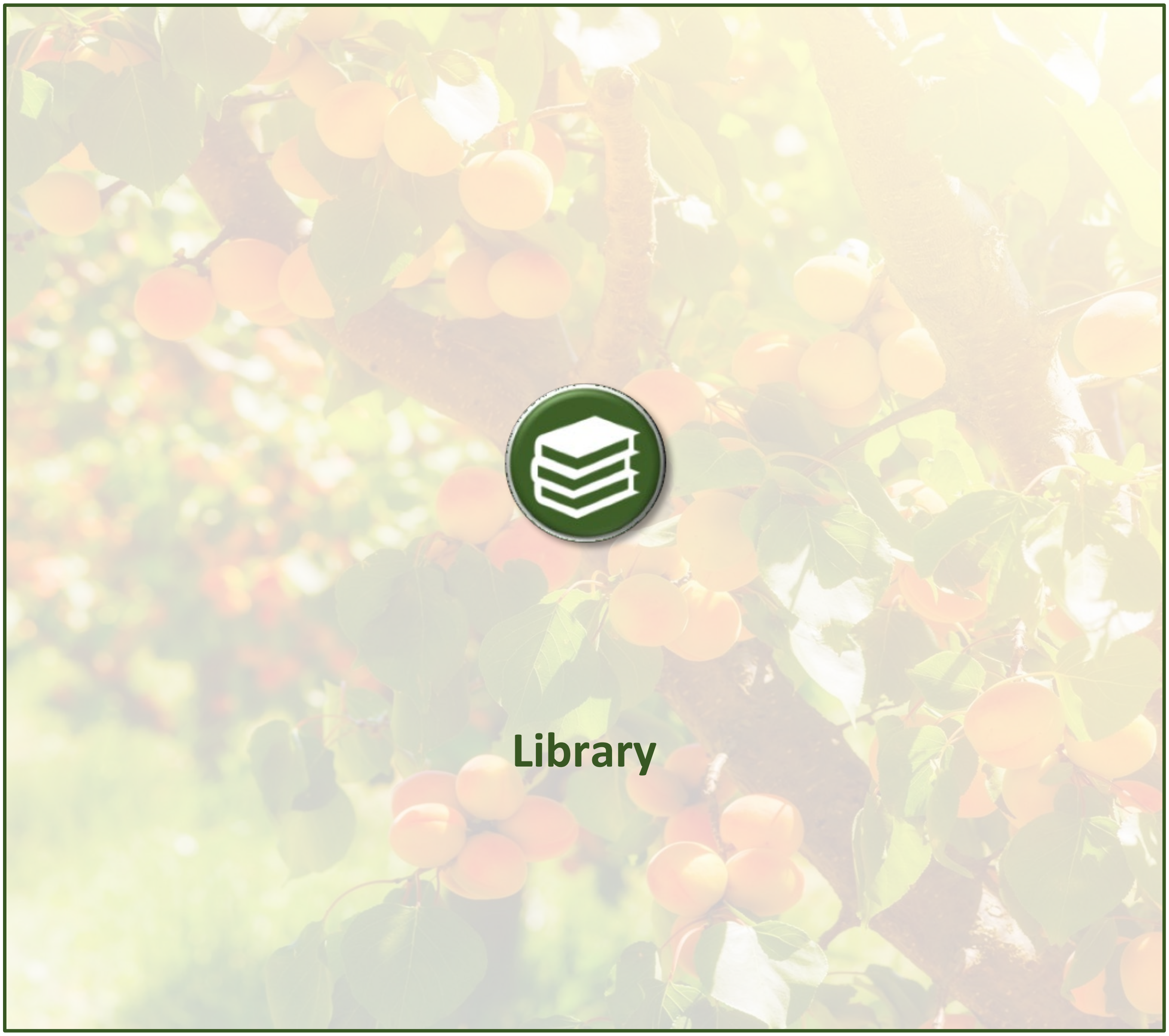
Departmental Expenditures

As of September 30, 2022, expenditures totaled $4.4 million, representing 14.8% of the budgeted appropriations. Expenditures at the first quarter point of the prior three years ranged from 16.3% to 25% of the final actual expenditures, placing this year below the three-year range. Expenditures are down slightly this fiscal year, most noticeably due to the impacts associated with implementation of Oracle Cloud and the related delay in receiving Cost Allocation Plan (CAP) charges in these department budgets during the first quarter.

Additional impact to the trend standard in this priority is the one-year infusion of budgeted costs associated with CRF funding in Fiscal Year 2021, as noted in the Department Revenue section above. This anomaly skews the historical range and is not indicative of traditional patterns.

Developing a High-Performing Economy Four-Year Expenditures Comparison





Library

Promoting Lifelong Learning

Promoting Lifelong Learning

Priority Overview

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

The Stanislaus County Library engages members of the community and offers access to information, knowledge, and the tools for innovation and personal development. The Stanislaus County Library System includes 13 community libraries providing educational and recreational services that enlighten and empower residents. 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 library branches, 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 programs for job seekers.

The Library is primarily funded by a voter-approved 1/8-cent sales tax to support Library operations. The voter-approved 1/8-cent sales tax was extended for 12 years when Measure S passed in the November 7, 2017, election. In Fiscal Year 2023, the Library budget was significantly increased by $3.5 million with the implementation of Building Community Services Investment funding.

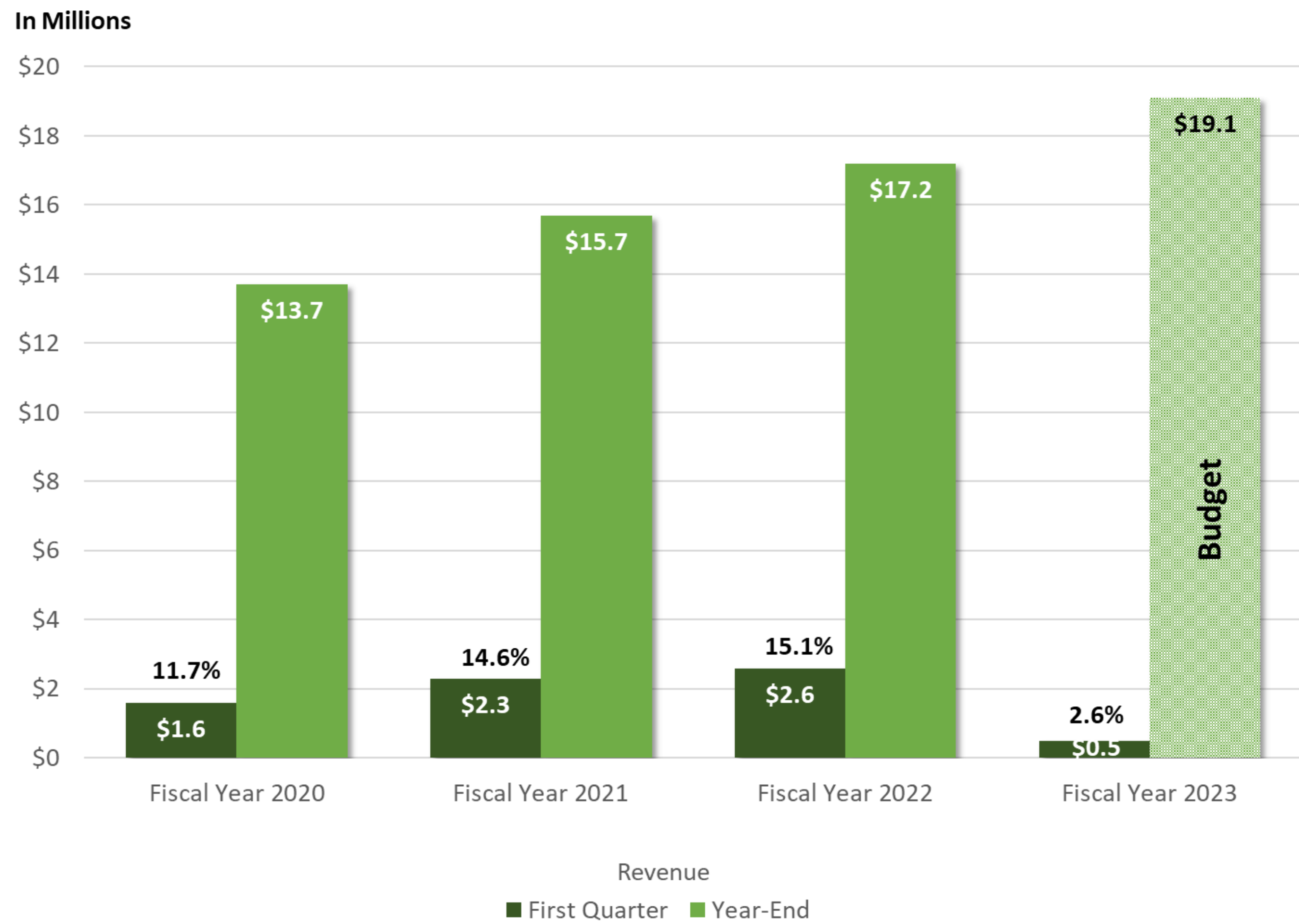
The Library is on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the department budget that makes up the Board of Supervisors' priority area of *Promoting Lifelong Learning* as of September 30, 2022, actual revenue collected is $504,779, which represents 2.6% of the estimated annual revenue. This ratio is below the historical range when compared to the first quarter of the prior three years when collections were 11.7% to 15.1% of the final actual revenue.

Changes unique to Fiscal Year 2023 have been identified that affect this ratio. The Library budget increased by $3.5 million in the 2023 Adopted Budget to account for the Building Community Services Investment funding, recently implemented as part of an organization-wide strategy to enhance County parks and libraries. These funds have not yet been dispersed, impacting the ratio of receipts to date in comparison to those budgeted. Additionally, the posting of tax revenue for the first quarter has been delayed due to the timing of implementation of Enterprise Resource Planning (ERP). The Department will continue to monitor revenue receipts as processes catch up in the new system, anticipating closer alignment with historical trends.

Promoting Lifelong Learning Four-Year Revenue Comparison



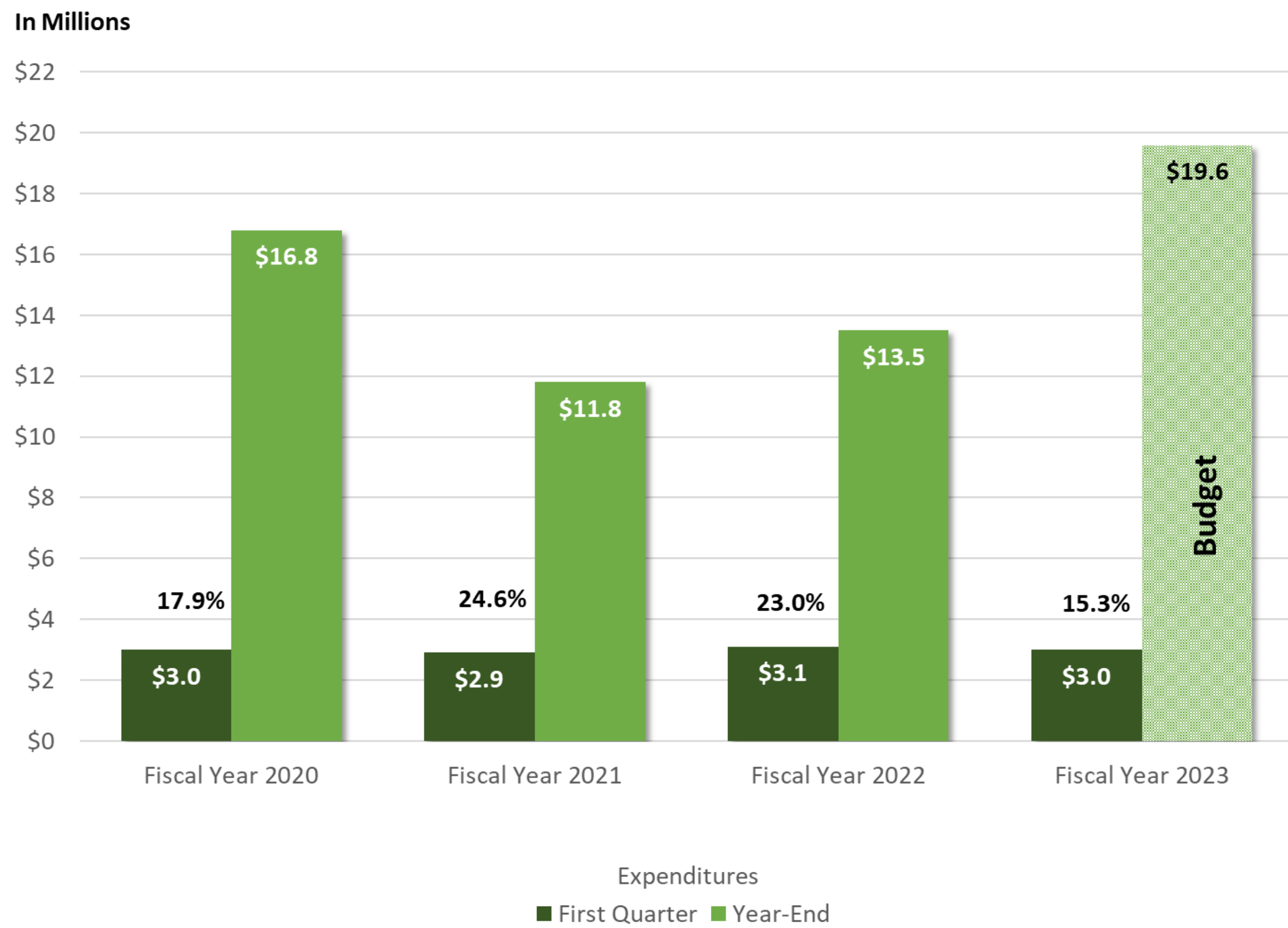
Departmental Expenditures

As of September 30, 2022, expenditures total $3 million, representing 15.3% of budgeted appropriations. Expenditures at the first quarter point of the prior three years ranged from 17.9% to 24.6% of the final actual expenditures, placing this year below the historical range. This is primarily the result of an increase in overall budget for Fiscal Year 2023 relative to Fiscal Year 2022.

The Library increased its budget by $4.8 million in the 2023 Adopted Budget, including $3.5 million to account for the Building Community Services Investment funding, with the remaining increase identified for various projects and part-time extra help staffing support. These projects have not been initiated and the Department has not yet established enhancements to service levels, leaving expenditures to date significantly lower than the budget would indicate at first quarter. However, expenditures viewed without comparison to budgeted costs are level with the $3 million average expenditures experienced over the past three years.

Of note, Fiscal Year 2020 included expenditures to fund the Empire and Turlock Library projects, effectively impacting the percentage of budgeted appropriations used at first quarter and lowering the range of the three-year trend.

Promoting Lifelong Learning Four-Year Expenditures Comparison



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

Delivering
Efficient
Public Services

Delivering Efficient Public Services

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 the 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, Board of Supervisors, Chief Executive Office, CEO – Human Relations, Clerk-Recorder, County Counsel, County Operations, 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. 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, there is a significant increase in the estimated revenue and expenditures in this priority primarily due to the relocation of several Legal Budget Units (LBUs) from other Board of Supervisors' priority areas into the *Delivering Efficient Public Services* priority. This relocation is necessary to account for various administrative budget units managed in support of the overall organization. However, departments within this priority are on track to end the year within budget and in a positive fiscal position.

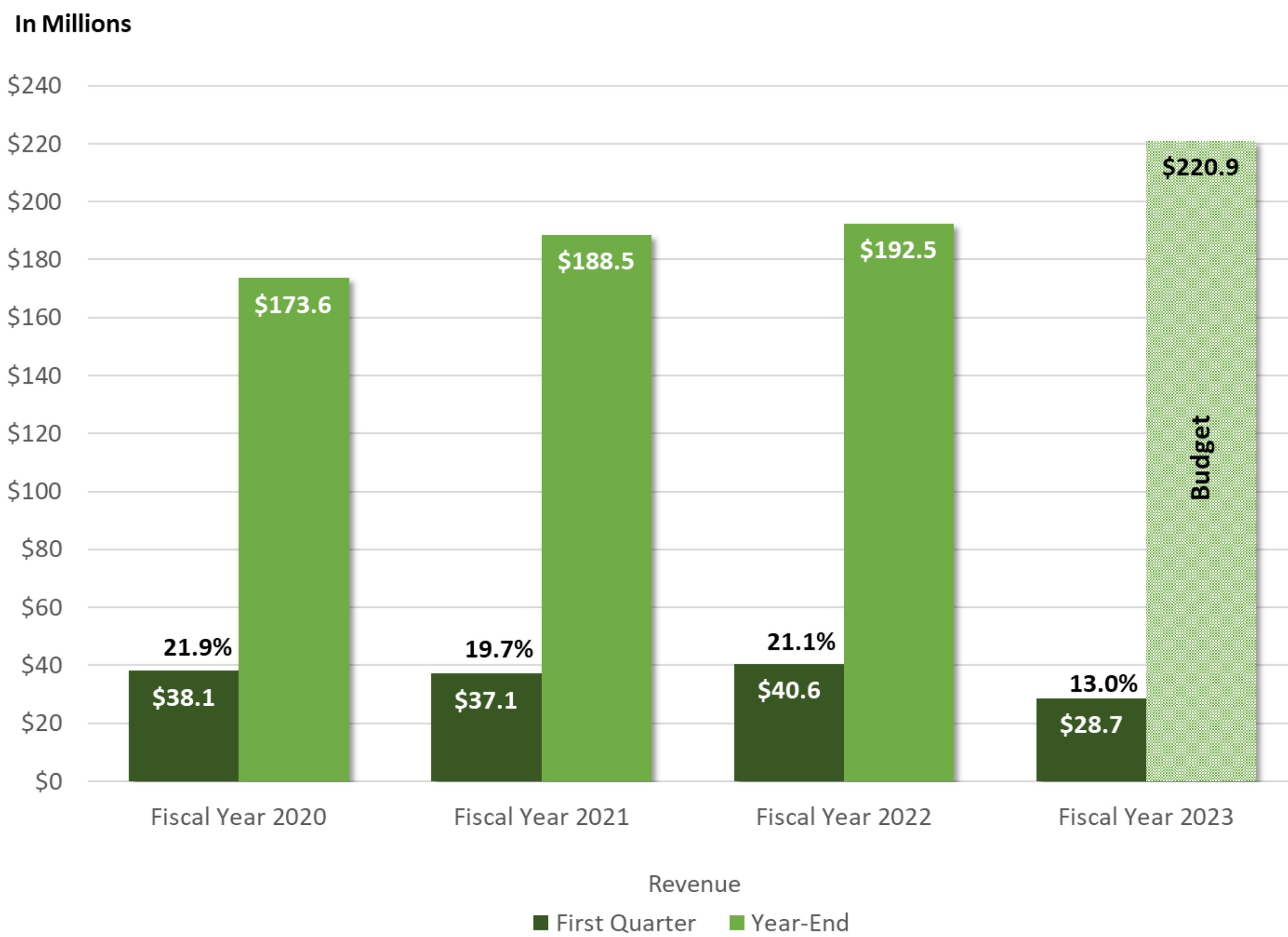
Departmental Revenue

For the department budgets that make up the Board of Supervisors' *Delivering Efficient Public Services* priority area, the actual revenue collected as of September 30, 2022, totaled $28.7 million, which represents 13% of the estimated annual revenue. This is a significant change and is below the historical range when compared to the first quarter point of the previous three years when collections ranged from 19.7% to 21.9% of the final actual revenue.

This shift is partially due to the significant increase in the Fiscal Year 2023 estimated annual revenue due to the relocation of Legal Budget Units (LBUs) from other Board priority areas into the *Delivering Efficient Public Services* priority. However, overall receipts are approximately $10 million lower than the average experienced over the past three years.

Recent implementation of the Enterprise Resource Planning (ERP) has affected the timing of the posting of Cost Allocation Plan (CAP) charges, a significant source of revenue for several of the departments within this priority, notably service departments like General Services Agency and Information Technology Central. Departments anticipate that as implementation of the new system nears completion and standard processes resume, revenue will more closely align with historical patterns.

Delivering Efficient Public Services Four-Year Revenue Comparison



Departmental Expenditures

As of September 30, 2022, expenditures in this Board priority area totaled $62.6 million, representing 17.5% of appropriations budgeted for the year. Expenditures at the first quarter point of the previous three fiscal years ranged from a low of 20.5% to a high of 24.1% of the final actual expenditures, placing this year below the historical range. Both actual expenditures and budgeted appropriations have increased over the prior year, but the increase in budgeted appropriations has outpaced the increase in actual expenditures, resulting in a lower percent of budget utilization when compared to the previous three years.

The Appropriations for Contingencies budget is housed in this priority, budgeted at approximately $12 million for the fiscal year; as of first quarter, there have been no transfers from contingencies and the full $12 million remains unspent. The General Services Agency received $9.5 million in Building Community Services Investment funding for County facilities in the 2023 Adopted Budget and no projects have yet been initiated. Additionally, impacts associated with implementation of Oracle Cloud have caused a delay in receiving Cost Allocation Plan (CAP) charges in these department budgets along with several other costs not posting prior to the quarter close, affecting the ratio of costs to date compared to budgeted appropriations. Departments anticipate that as implementation of the new system nears completion, expenditures will more closely align with historical patterns.

Delivering Efficient Public Services Four-Year Expenditures Comparison

First Quarter Issues and Recommendations

Auditor-Controller

Staffing Recommendation: A request for a classification study was submitted in the 2023 Proposed Budget. The study has been completed, concluding with a recommendation to reclassify one Manager I position to block-budgeted Manager I/II to assume higher-level duties particularly related to budget.

Clerk-Recorder

Staffing Recommendation: Classification studies were submitted in the 2023 Proposed Budget. The studies have been completed, concluding with a recommendation to reclassify one Staff Services Technician position to Staff Services Analyst as well as one Manager II position to Manager III to align duties and responsibilities with the positions.

County Counsel

Staffing Recommendation: A request for a classification study was submitted in the 2022 Midyear Financial Report. The study has been completed, concluding with a recommendation to reclassify one Confidential Assistant III position to Confidential Assistant IV to align with duties and responsibilities of the position.

Information Technology Central

Staffing Recommendation: It is recommended to change the classification name of Assistant Director of ITC to Cyber Security Officer for Information Technology Central (ITC). It is also recommended to reclassify one block-budgeted Software Administrator I/II position to block-budgeted Software Engineer I/II.

Further, it is recommended to restore the Chief Information Officer classification, change the classification name to Chief Information Officer/Director of ITC, and then reclassify one Director of ITC position to Chief Information Officer/Director of ITC effective March 25, 2023. The Chief Information Officer/Director of ITC will report to the County's Chief Operations Officer and participate in weekly Chief Executive Office Senior Leadership meetings to ensure connection to Board priorities, Countywide goals, and business needs. In addition, the classification will establish vision and strategic direction for IT and work with County departments through a newly chartered IT Steering Committee to ensure Department Head input along with enterprise evaluation and perspective. It is also recommended to remove the classification of the Director of ITC effective July 1, 2023.

It is recommended to establish a new classification of Associate Director of ITC to plan, coordinate, direct, and design operational activities of the Department and to execute technology vision and strategy in alignment with the Countywide IT vision and strategy effective July 1, 2023. This new classification will be considered unclassified Management with an annual salary band ranging from $115,710.40 to $173,576.00. It is also recommended to add one Associate Director of ITC position, effective July 1, 2023.

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

Enhancing Community Infrastructure

Enhancing Community Infrastructure

Priority Overview

The Board of Supervisors' priority area of *Enhancing Community Infrastructure* is essential to the quality of life for the residents of Stanislaus County and supports 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 County General Fund, special revenue grants, and a 1/2-cent sales tax commonly referred to as Measure L.

In Fiscal Year 2023, Parks and Recreation and Public Works were provided with a combined $18.5 million in General Fund support to address various needs in the community as part of an organization-wide three-year strategic initiative.

Parks and Recreation received a $3.5 million Building Community Services Investment that will go toward targeted one-time investments which will directly contribute to the local quality of life, community wellness, and strategic facility planning. Public Works received $15 million to establish the Building Community Infrastructure Fund. This fund will provide a dedicated funding stream to each member of the Board of Supervisors to access funds to address community infrastructure projects of priority in their respective districts. Such projects may include the installation or improvement to sidewalks and roads, along with various related infrastructure improvements.

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

Departmental Revenue

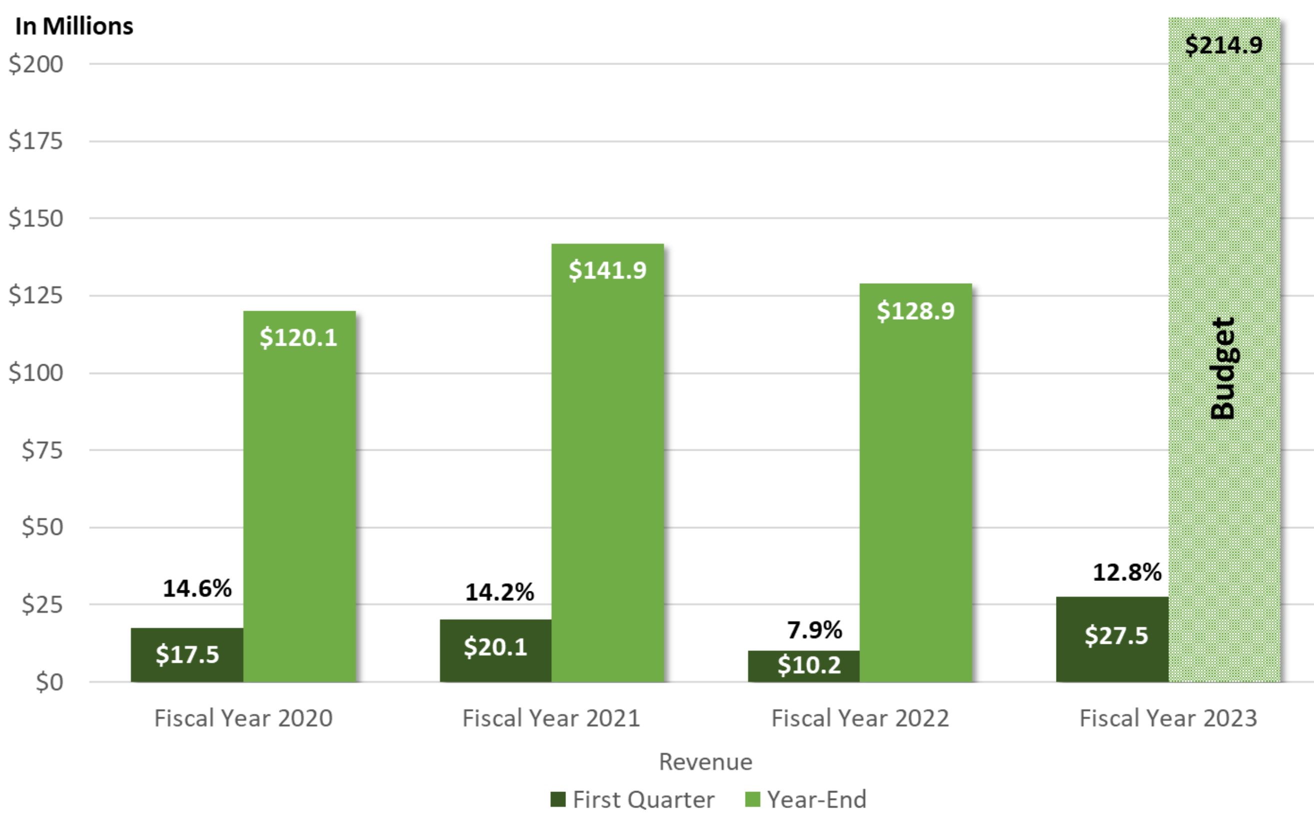
For the budgets representing the Board's priority *Enhancing Community Infrastructure* actual revenue collected as of September 30, 2022, totaled $27.5 million, representing 12.8% of the estimated annual revenue. This is within range when compared to first quarter of the prior three years when collections ranged from 7.9% to 14.6% of final actual revenue.

While in range, estimated revenue is notably higher than previous years due to funding for current-year projects. Planning and Community Development revenue includes $13.5 million in allocated State CARES Act funding and $2.1 million in funding identified for housing. Public Works will receive $15 million from the new Building Community Infrastructure Fund as well as $130 million in the Road and Bridge revenue. Many of Public Works' over 90 projects are entering the construction phase, increasing cost reimbursement revenue.

Year-to-date revenue for this priority area is approximately $11.6 million more than the prior three-year average, largely attributed to active Road and Bridge projects, which is offset by several decreases impacting the year-to-date ratio. Planning and Community Development's revenue decreased by $2.5 million due to a reversal of accruals from the prior fiscal year. Environmental Resources – Geer Road Landfill typically averages $2.6 million in first quarter revenue; however, none has posted as of September 30, 2022, due to the timing and "blackout period" associated with the Oracle Cloud conversion.

Of note, Public Works' Fiscal Year 2022 actuals were impacted by the transfer of local transit activities to a separate regional transit authority, including an accounting entry tied to the transfer of fixed assets, decreasing revenue by nearly $10 million in the first quarter and $27 million by year-end.

Enhancing Community Infrastructure Four-Year Revenue Comparison

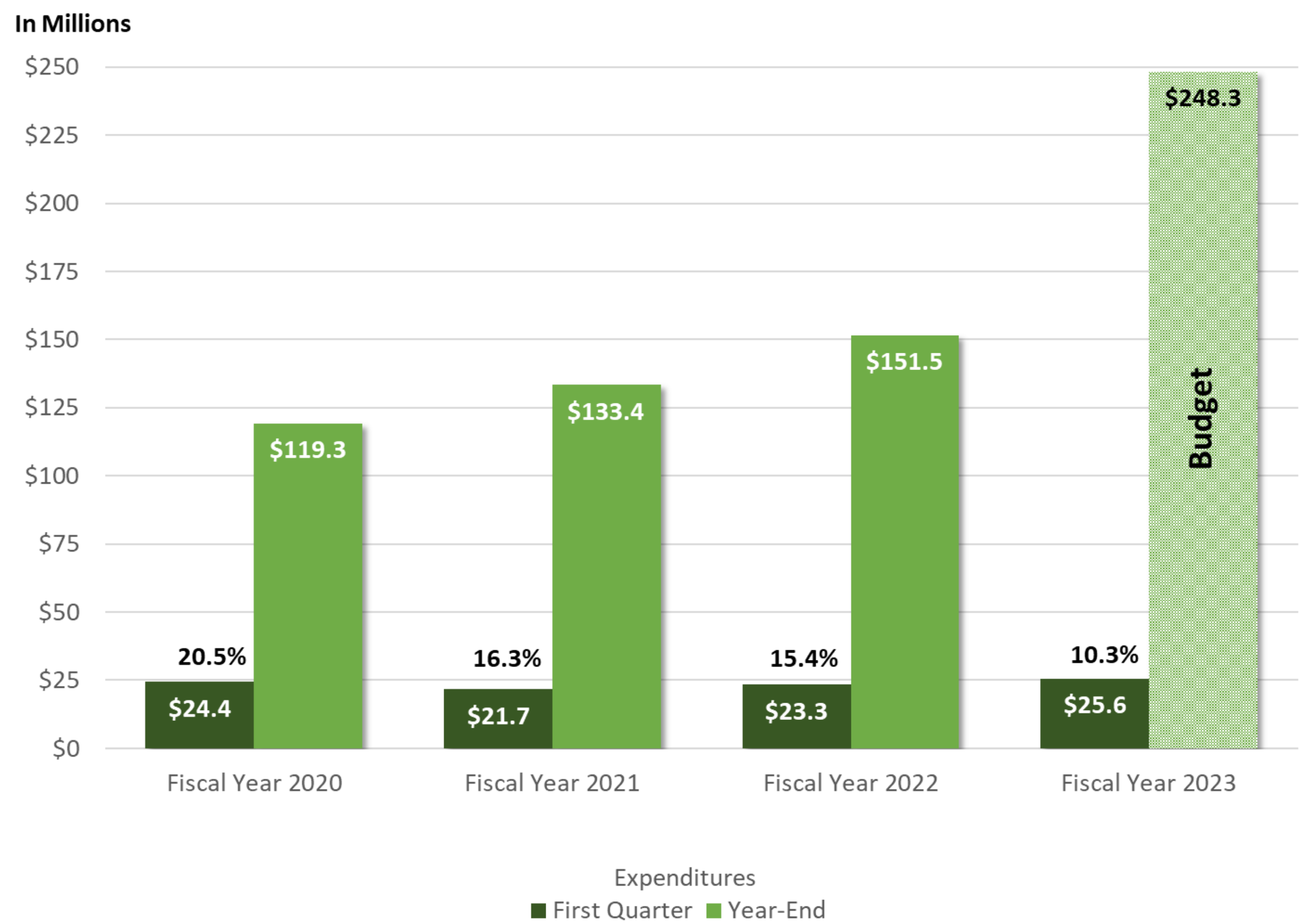


Departmental Expenditures

As of September 30, 2022, expenditures in this priority total $25.6 million, representing 10.3% of the budgeted appropriations. Expenditures at the first quarter of the prior three years ranged from 15.4% to 20.5% of the final actual expenditures, placing this year's expenditures below the historical range. This shift is primarily due to the increase in overall budget compared to that realized in prior year actual expenditures. While Fiscal Year 2023 year-to-date actual expenditures are in line with prior years, departments in this priority have budgeted for expenses associated with various projects that have not yet materialized.

Environmental Resources - Fink Road Landfill has planned several large one-time expenses such as heavy equipment purchases, flare replacement, and access road construction that have not yet occurred. Parks and Recreation's budget includes $3.5 million in Building Community Services Investment funding, Planning and Community Development has funded appropriations related to state CARES Act and housing programs, and Public Works costs include over 90 projects and an additional $15 million for Building Community Infrastructure Fund projects. It is expected that budgeted expenses will materialize throughout the year as these projects move forward.

Enhancing Community Infrastructure Four-Year Expenditures Comparison



Parks and Recreation

Staffing Recommendation: A classification study was submitted in the 2022 Midyear Financial Report. The study has been completed, concluding with a recommendation to add one new Staff Services Technician position to provide technical and general administrative support for capital projects in the Department.

First Quarter Financial Report Conclusion

The 2023 First Quarter Financial Report displays the County's ongoing commitment to transparency and a focus on measured results, including updates on fund balance reserves and Discretionary Revenue trends. While budget adjustments have not been included at first quarter, several key staffing changes have been identified and recommended to ensure the organization manages its critical resources timely and efficiently.

While impacted by the recent conversion to Oracle Cloud, actual performance analysis extended beyond the available data to evaluate progress thoroughly and thoughtfully to ensure that departments are managing within the 2023 First Quarter Budget and tracking to meet year-end projections. This work is ongoing. County staff will continue to monitor current fiscal year budget operations and be prepared to make appropriate recommendations and changes, informed by substantial analysis, in the Midyear Financial Report planned for presentation to the Board of Supervisors on March 14, 2033.

Staff will also closely watch external factors, including the monthly cash report issued by the State Controller to monitor State inflows of revenue. If more urgent budget adjustments are required prior to the Midyear Financial Report, staff will bring appropriate and timely recommendations to the Board of Supervisors for consideration through separate Board action; however, no such urgent needs are anticipated at this time.

Budget Schedule

The following schedule for the 2023 Midyear Financial Report is recommended:

2023 Midyear Financial Report	
Issue Staffing Instructions to Departments	November 28, 2022
Issue Budget Instructions to Departments	December 5, 2022
Department Staffing Requests Due	January 4, 2023
Department Budget Requests Due	January 6, 2023
Board of Supervisors	March 14, 2023