

Third Quarter Financial Report July 2013 — March 2014

BOARD OF SUPERVISORS

**Jim De Martini, Chairman
William O'Brien
Vito Chiesa
Terry Withrow
Dick Monteith**

**Submitted by
Chief Executive Officer
Stan Risen**



Table of Contents

INTRODUCTION	2
BACKGROUND	2
2013-2014 OVERVIEW OF BUDGET ADJUSTMENTS	3
DISCRETIONARY REVENUE.....	4
2014-2015 PROPOSED BUDGET STRATEGY	6
CHALLENGES AND OPPORTUNITIES	6
2014-2015 PROPOSED BUDGET SCHEDULE.....	8
A SAFE COMMUNITY	9
OVERVIEW	10
DEPARTMENTAL REVENUE AND EXPENDITURES	10
THIRD QUARTER ISSUES AND RECOMMENDATIONS	11
A HEALTHY COMMUNITY	15
OVERVIEW	16
DEPARTMENTAL REVENUE AND EXPENDITURES	16
THIRD QUARTER ISSUES AND RECOMMENDATIONS	17
A STRONG LOCAL ECONOMY	23
OVERVIEW	24
DEPARTMENTAL REVENUE AND EXPENDITURES	24
THIRD QUARTER ISSUES AND RECOMMENDATIONS	25
A STRONG AGRICULTURAL ECONOMY/HERITAGE	26
OVERVIEW	27
DEPARTMENTAL REVENUE AND EXPENDITURES	27
THIRD QUARTER ISSUES AND RECOMMENDATIONS	28
A WELL PLANNED INFRASTRUCTURE SYSTEM.....	30
OVERVIEW	31
DEPARTMENTAL REVENUE AND EXPENDITURES	31
THIRD QUARTER ISSUES AND RECOMMENDATIONS	32
EFFICIENT DELIVERY OF PUBLIC SERVICES	35
OVERVIEW	36
DEPARTMENTAL REVENUE AND EXPENDITURES	36
THIRD QUARTER ISSUES AND RECOMMENDATIONS	37



INTRODUCTION

The following is the Chief Executive Office's Third Quarter Financial Report for the period of July 2013-March 2014 for the 2013-2014 Fiscal Year. It has been prepared to inform the Board of Supervisors, County leadership and the public of the County's fiscal status. The report provides revenue and expenditure summaries for County programs by each Board of Supervisors Priority and recommends adjustments to County budgets needed since the adoption of the Final Budget in September 2013. It also identifies and provides the status of the ongoing challenges and possibilities.

The intent of the Third Quarter Report is primarily to make any necessary adjustments to end the year in a positive fiscal position. Also in the report is a look forward at the significant budget challenges facing the State of California and the County.

BACKGROUND

On September 10, 2013, the Board of Supervisors adopted the Fiscal Year 2013-2014 Final Budget for Stanislaus County. This spending plan of \$1.043 billion for all funds reflected a 3.2% increase from the 2013-2014 Adopted Proposed Budget of \$1.010 billion and a 6% increase from the 2012-2013 Adopted Final Budget of \$984.2 million. The 6% increase was primarily attributable to several programs not being fully funded in the previous year's Final Budget to meet mandated levels, including the Foster Care/Extended Foster Care and In-Home Supportive Services programs. The 2013-2014 Adopted Final Budget was balanced using a combination of \$1,005,839,769 in estimated revenue (which includes \$21,903,017 in revenue from the General Fund to non-General Fund departments) and \$37,147,962 in fund balance and one-time funding sources. It also included funding for 3,920 allocated full-time positions, an increase of 121 positions from the 2012-2013 Adopted Final Budget.

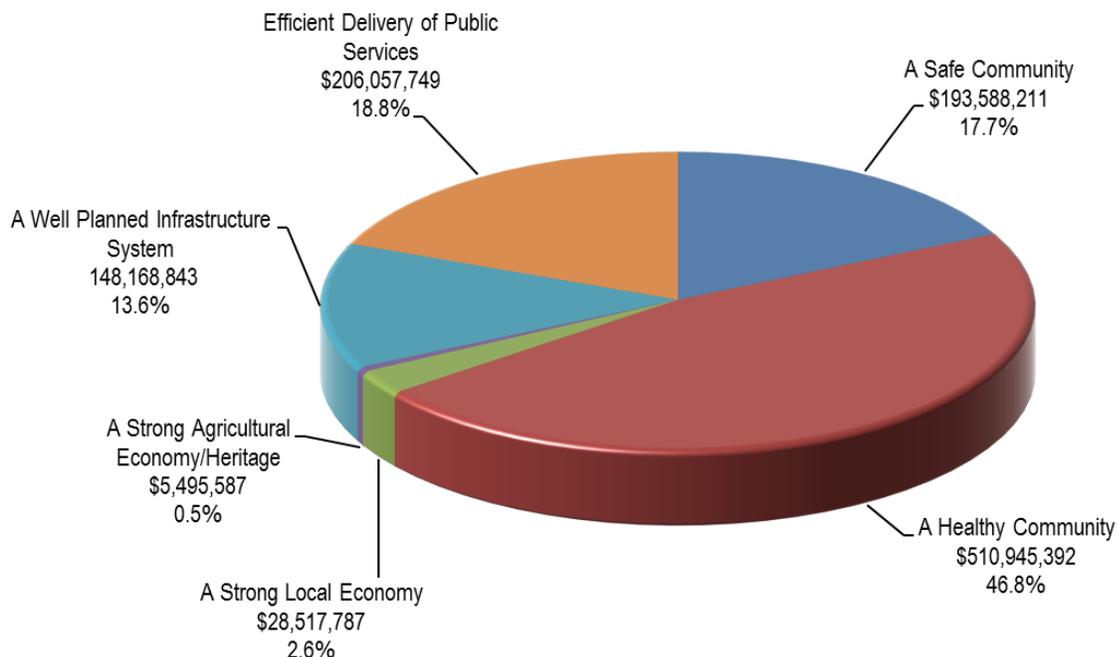
2013-2014 SUMMARY OF BUDGET ADJUSTMENTS

The Adopted Final Budget is adjusted each year by including appropriations that are carried forward from the prior fiscal year for projects that were planned for and authorized by the Board of Supervisors, however, not fully completed. Funding for these projects is identified as assigned fund balance by the Auditor-Controller at year-end to ensure these costs are fully funded in the next fiscal year. Also included in the Adopted Final Budget are any departmental savings that are carried forward into the current fiscal year. In addition, throughout the year the Board of Supervisors approves adjustments to department budgets either through quarterly financial reports or in separate Board of Supervisor action agenda items. The sum of all of these adjustments through March 31, 2014 totals \$49,785,838. This reflects \$23,398,163 of carry forward from the prior fiscal year, \$446,953 in funding that was approved in the First Quarter Financial Report, \$446,559 in funding that was approved in the Mid-Year Financial Report, and \$25,494,163 in budget adjustments approved by the Board of Supervisors in the current fiscal year.

Fiscal Year 2013-2014 Adjusted Operating Budget

Expenditure by Board Priority

\$1,092,773,569 as of March 31, 2014



Summary of Requested Third Quarter Adjustments

The 2013-2014 Third Quarter Financial Report reflects a fiscal review of departmental budgets and recommended adjustments to ensure that all departments finish the year within their approved budgets. The third quarter recommendations include a total increase in appropriations of \$1,548,402 and an increase in estimated revenue of \$1,343,402. If approved, the recommendations contained in this report will result in an increased use of fund balance of \$205,000.

**2013-2014 THIRD QUARTER BUDGET
RECOMMENDED APPROPRIATION ADJUSTMENTS**

Department	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Services Funds	Total Recommended 2013-2014 3Q Budget Adjustments
Ag Commissioner	\$ 159,243	\$ -	\$ -	\$ -	\$ -	\$ 159,243
Area Agency on Aging	-	130,917	-	-	-	130,917
Behavioral Health & Recovery Services	-	431,000	-	-	-	431,000
CEO - Appropriations for Contingencies	(622,200)	-	-	-	-	(622,200)
CEO - General Fund Contribution to Other Programs	9,200	-	-	-	-	9,200
Environmental Resources	-	125,000	-	-	-	125,000
General Services Agency	-	-	-	-	175,000	175,000
Health Services Agency	-	468,042	-	-	-	468,042
Public Defender	613,000	-	-	-	-	613,000
Sheriff	50,000	9,200	-	-	-	59,200
Totals by Fund	\$ 209,243	\$ 1,164,159	\$ -	\$ -	\$ 175,000	\$ 1,548,402

The following chart illustrates the beginning fund balances on July 1, 2013 for the various fund types, as well as the projected fiscal year-end balances adjusted for the recommendations contained in this report:

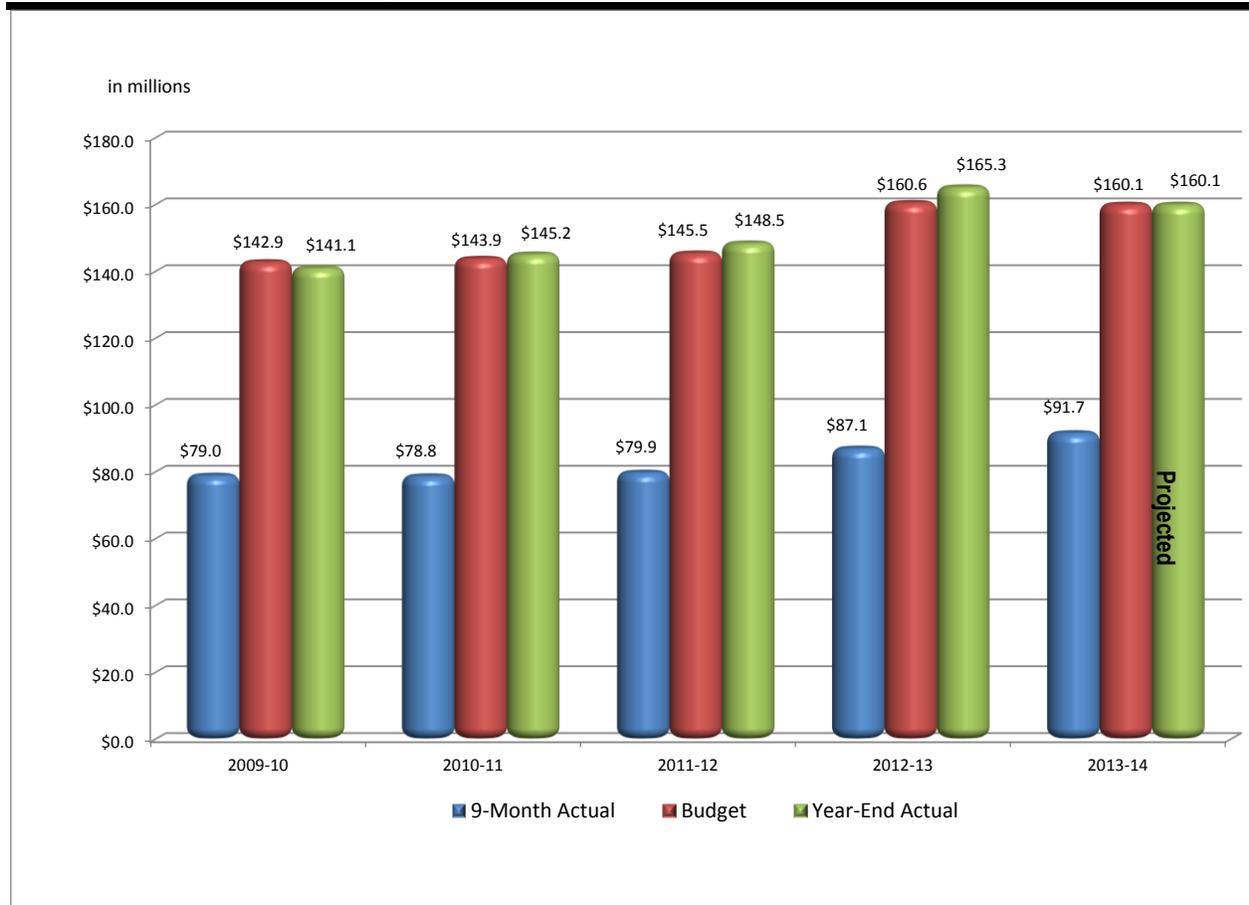
Summary of Fund Balance by Fund Type					
Fund Type	Beginning Fund Balance on 7/1/2013	Operating Budget Revenue on 3/31/2014	Operating Budget Appropriations on 3/31/2014	Third Quarter Recommendation Use of Fund Balance	Projected Fund Balance on 6/30/2014
General Fund	\$ 134,437,454	\$ 245,035,811	\$ 279,334,277	\$ -	\$ 100,138,988
Special Revenue Fund	199,752,088	617,761,944	647,289,514	150,000	170,074,518
Capital Projects Fund	5,394,382	1,096,000	1,181,898	-	5,308,484
Enterprise Fund	24,557,167	57,519,165	68,468,395	-	13,607,937
Internal Service Fund	13,310,904	93,868,317	96,499,485	55,000	10,624,736
Total	\$ 377,451,995	\$ 1,015,281,237	\$ 1,092,773,569	\$ 205,000	\$ 299,754,663

DISCRETIONARY REVENUE

As of March 31, 2014, \$91.7 million was posted to the General Fund discretionary revenue accounts. This amount represents 57.3% of the 2013-2014 Final Adjusted Budget of \$160.1 million and 55.4% of the actual collections of \$165.3 million in Fiscal Year 2012-2013. For the prior five years, discretionary revenue collected by the end of third quarter ranged from 54% to 55.3% of the final budget and from 52.7% to 56% of the year-end actual collections. This indicates that current year discretionary revenue is materializing at a slightly higher rate than the five-year range at third quarter. This is largely due to modest increases in property taxes, sales and use tax and public safety sales tax posted this fiscal year compared to third quarter average of the last five fiscal years.

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

General Fund—Discretionary Revenue Five Year Comparison



For a fair comparison, it should be noted in the above chart that the year-end actual revenue for Fiscal Year 2012-2013 included one-time revenue of \$11.9 million. Of that total, \$8.4 million was for loan repayment of the property tax monies borrowed by the State for the Supplemental Revenue Augmentation Funds (SRAF) pursuant to Proposition 1A (2004) and \$3.5 million was for dissolution of the Redevelopment District Agencies (RDA). Adjusted for this one-time revenue, Fiscal Year 2012-2013 revenue was \$153.40 million. The projected Fiscal Year 2013-2014 revenue of \$160.1 million compares favorably by about 4% over the prior fiscal year adjusted for the one-time revenue.

As shown in the chart below, the projected revenue for this year-end is \$160.1 million, no change from the mid-year projection. Analysis performed at third quarter indicates that revenues will materialize as anticipated to meet the year-end projection.

Discretionary Revenue Description	Fiscal Year 2012-2013 Actuals	Fiscal Year 2013-2014 Final Budget	Mid-Year 2013-2014 Projections	Third Quarter 2013-2014 Projections
Taxes	\$ 115,165,790	\$ 107,235,192	\$ 109,122,849	\$ 109,122,849
Licenses, Permits & Franchises	987,557	975,000	990,000	990,000
Fines, Forfeitures & Penalties	5,827,385	3,120,000	3,120,000	3,120,000
Revenue from Use of Money	2,057,670	2,214,400	2,218,477	2,218,477
Intergovernmental Revenue	37,675,886	37,781,200	39,789,019	39,789,019
Charges for Services	768,461	1,788,840	1,788,840	1,788,840
Miscellaneous Revenues	(129,361)	70,000	220,294	220,294
Other Financing Sources	2,934,338	2,934,355	2,855,599	2,855,599
Total	\$ 165,287,726	\$ 156,118,987	\$ 160,105,078	\$ 160,105,078

2014-2015 PROPOSED BUDGET STRATEGY

Budget Year 2014-2015 will be a transition year as the County reviews and updates its multi-year budget strategy. The Net County Cost Savings Program was put into place during the 2009-2010 Mid-Year Financial Report to provide departments “a possible solution to closing the budget shortfall in 2010-2011 and beyond.” The program has allowed departments the ability to create capacity not only to deal with further reductions and revenue losses, but also to address increases in retirement charges and other contingencies. However, savings are diminishing across all departments.

CEO Senior Leadership Team is developing a strategy to appropriately fund current levels of service in General Fund budgets once all net county cost savings have been exhausted, while maintaining an incentive to allow Departments to benefit from continued efficient operations. In order to finalize, evaluate and implement this strategy, the 2014-2015 Proposed Budget in June will be a “roll over” of this year’s Adopted Final Budget appropriations minus the net county cost savings carried forward, plus any new budget units added since the adoption of the Final Budget. The Proposed Budget will be an interim spending plan until the Final Budget is adopted in September.

This approach would shift the focus of developing the budget plan from the Proposed Budget in June to the Final Budget in September. Adopting a “roll over” budget as the Proposed Budget is a common practice among several other California counties and has been used by our County in the past as well, most recently as part of the Fiscal Year 1999-2000 budget process. The organization and all departments will have a better understanding of the County’s fiscal needs for the upcoming budget year as projected revenues, expenditures, and one-time resources will be more reliable in a delayed budget process.

The 2013-2014 Proposed Budget will be presented to the Board of Supervisors on June 10, 2014.

CHALLENGES AND OPPORTUNITIES

Retirement

On March 25, 2014, the Stanislaus County Employees Retirement Association (StanCERA) Board of Retirement approved the 2013 Actuarial Valuation Report. The actuarially determined employer contribution rate increased from 20.73% of payroll to 22.94% of payroll in aggregate. The Board of Retirement approved a two-year phase-in of the funding methodology required by the Government Accounting Standards Board (GASB). Absent the phased in approach, the employer contribution rate would have increased to 24% of payroll for the current valuation.

In August 2013, the County retired its long-term Pension Obligation Bond (POB). The cost of the POB has been distributed to all County departments for 20 years. Savings from the POB pay-off will more than offset the cost increases associated with the retirement rate changes.

Self-Insurance Funds

Within the Mid-Year Financial Report, it was reported that necessary budget adjustments for the Medical Self-Insurance budget would be included in the Third Quarter Financial Report. At this time, expenditures and revenue are tracking near the Adopted Final Budget numbers and it is anticipated only minor adjustments, if any, will be needed before year-end. A Medical Self-Insurance Program performance report for Calendar Year 2013 is tentatively scheduled for June 2014.

Additionally, as part of the third quarter review, all other Self-Insurance Funds were analyzed using the most recent data available and it is anticipated these budgets will end the fiscal year in a positive position. Therefore, no recommended budget adjustments for the Self-Insurance Funds are included in this report.

Health and Human Services

The 16-bed Psychiatric Health Facility (PHF) became fully operational on March 3, 2014. The PHF is already providing appropriate levels of services to individuals who are not in need of the highest acuity-level beds in Psychiatric inpatient hospitals, thus reducing costs for inpatient psychiatric services. The PHF has been at or near capacity since its opening.

On January 14, 2014 the Board of Supervisors approved the Behavioral Health Director to submit an application to the California Health Facility Financing Authority for capital funding under the Investment in Mental Health Wellness Act of 2013 (SB 82) for \$1.9 million to establish a Crisis Stabilization Unit (CSU) at 1904 Richland Ave in Ceres. The application was not successful in securing funding for the CSU; however, the Chief Executive Office and Behavioral Health and Recovery Services staff continues to explore other options to fund a CSU and will return to the Board of Supervisors to provide updates on the progress of securing funding for a CSU.

Capital Projects

AB 900 Phase II Public Safety Center (PSC) Expansion Project: This project will increase detention capacity through construction of maximum security facilities with medical mental health beds as well as a Day Reporting Center. On April 29, 2014, the Board of Supervisors approved a conditional award of a design-build construction contract conditioned upon State approval to Simile Construction, Inc. of Modesto, California, for \$3,649,000 as the Basis of Award for Project Two (Day Reporting Facility); and authorized the design-build team to hold additive bid alternate pricing up to \$128,000 conditioned upon final negotiations of the design-build construction contract for Project One (Maximum Security Housing and Medical/Mental Health Facility). The County has no obligation to immediately operate or staff the new facilities, so long as occupancy commences by March 31, 2017. A phased opening of the AB 900 Phase II PSC Expansion Project will be based on the County's fiscal recovery and the annual appropriations by the Board of Supervisors. General Fund Set-Aside of \$2.0 million in one-time funding, coupled with Community Corrections Plan (CCP) funding of \$3.0 million set aside in the adoption of the 2013-2014 CCP Plan will be instrumental for opening. The first full year of operations is scheduled to begin in Budget Year 2017-2018. Actual operational costs will be dependent on the number of beds filled and the annual appropriation by the Board of Supervisors of the Sheriff's Detention budget. The total estimated cost

including both sworn/non-sworn staff in today's dollars ranges from \$13.3 million in the Initial Model to \$14.6 million in the Optimal Model.

SB 1022 REACT Center Project (Reentry Alternatives to Custody Training Center Project): The County received notification of an award of \$40 million to construct the REACT Center Project. An aggressive schedule is required to complete the Real Estate Due Diligence requirements. At completion, the Project will include a 288 Bed React Housing Unit, a Programs Center to provide counseling and training to pre-release inmates and post-release review and support. This project will consolidate detention facilities at the Public Safety Center site, and will provide sufficient jail capacity at the PSC to allow closure of the Downtown Men's Jail Housing, leaving only Court-holding facilities in downtown Modesto.

Sheriff-Coroner Facility: The Board of Supervisors approved the re-use of vacant Building Two at County Center III, authorized staff to finalize the design at the new site and to initiate the surplus of the Medical Arts Building (MAB) at 700 17th Street in downtown Modesto, the former selected site. The Project will follow an aggressive design and bidding schedule to improve and expand capacity of the Office of the Sheriff-Coroner as expeditiously as possible. Construction completion is scheduled for Summer 2015 which will allow current operations to re-locate and operate in a new, modern and efficient facility.

Labor Relations

Contracts with all twelve County Labor Associations will expire on June 30, 2014. The County is currently negotiating with eight of the twelve labor groups with negotiations to be scheduled with the remaining four groups.

State Budget Update

The State continues to experience stronger than anticipated financial performance for Fiscal Year 2013-2014. The State Controller reports cash collections are slightly more than \$2 billion ahead of budget through the end of March. The Governor continues to urge fiscal prudence as he focuses his attention on reducing the wall of debt that California has faced.

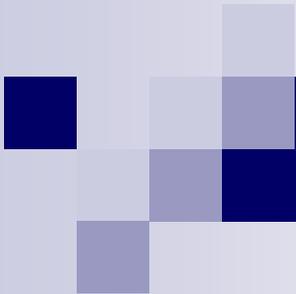
Staff will closely watch the Governor's May Budget Revision to see what changes have been made to his proposed budget in January 2014.

2014-2015 PROPOSED BUDGET SCHEDULE

The following schedule is recommended for the 2014-2015 Proposed and Final Budget:

2014-2015 PROPOSED AND FINAL BUDGET SCHEDULE	
June 6, 2014	2014-2015 Proposed Budget available to the public on County website
June 10, 2014	2014-2015 Proposed Budget Presentation to the Board of Supervisors
September 16, 2014	2014-2015 Final Budget Presentation and Public Hearing to the Board of Supervisors

While the beginning of the 2013-2014 Third Quarter Financial Report gives an update and overview of the County budget as a whole, the following part of the report details the recommended budget adjustments. These adjustments are presented by department, which are further categorized within six of the Board's Priorities: A Safe Community, A Healthy Community, A Strong Local Economy, A Strong Agricultural Economy/Heritage, A Well Planned Infrastructure System and Efficient Delivery of Public Services.



A Safe Community

COUNTY DEPARTMENTS

CEO-OES/Fire Warden

CEO-Capital Projects

CEO-County Operations

District Attorney

Grand Jury

Integrated County Justice Information System

Probation

Public Defender

Sheriff

A Safe Community

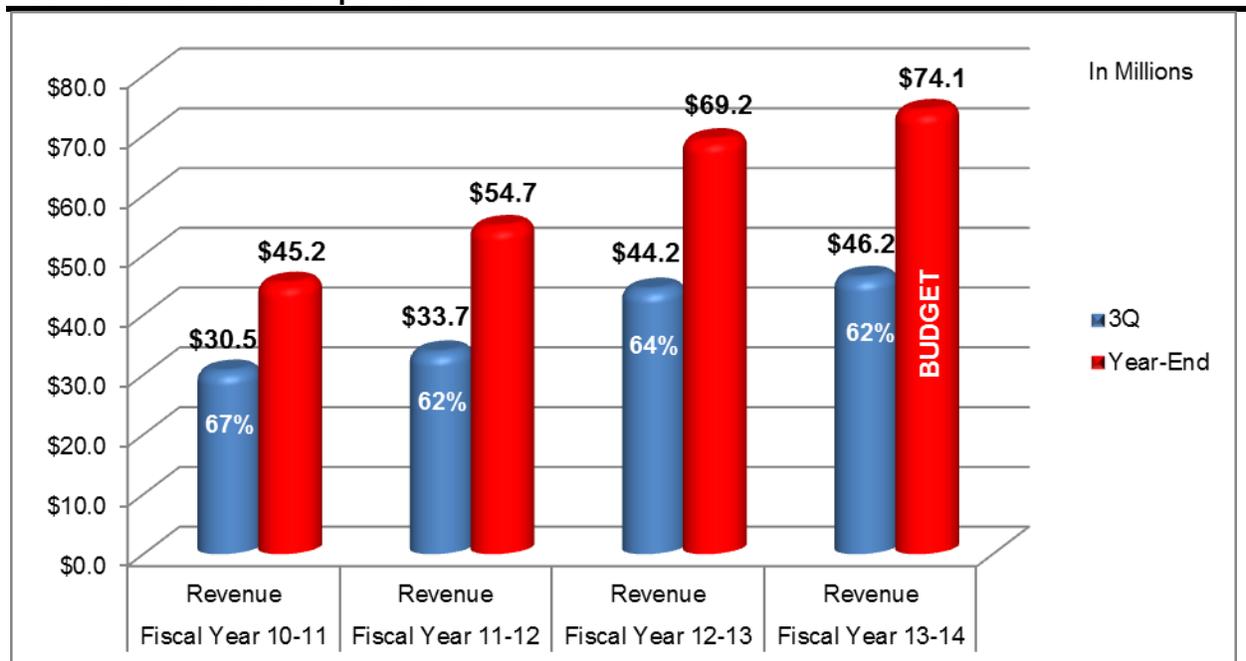
OVERVIEW

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

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Safe Community as of March 31, 2014, actual revenue collected is \$46.2 million, which represents 62% 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 62% to 67% of the final actual revenue.

A Safe Community Four Year Revenue Comparison

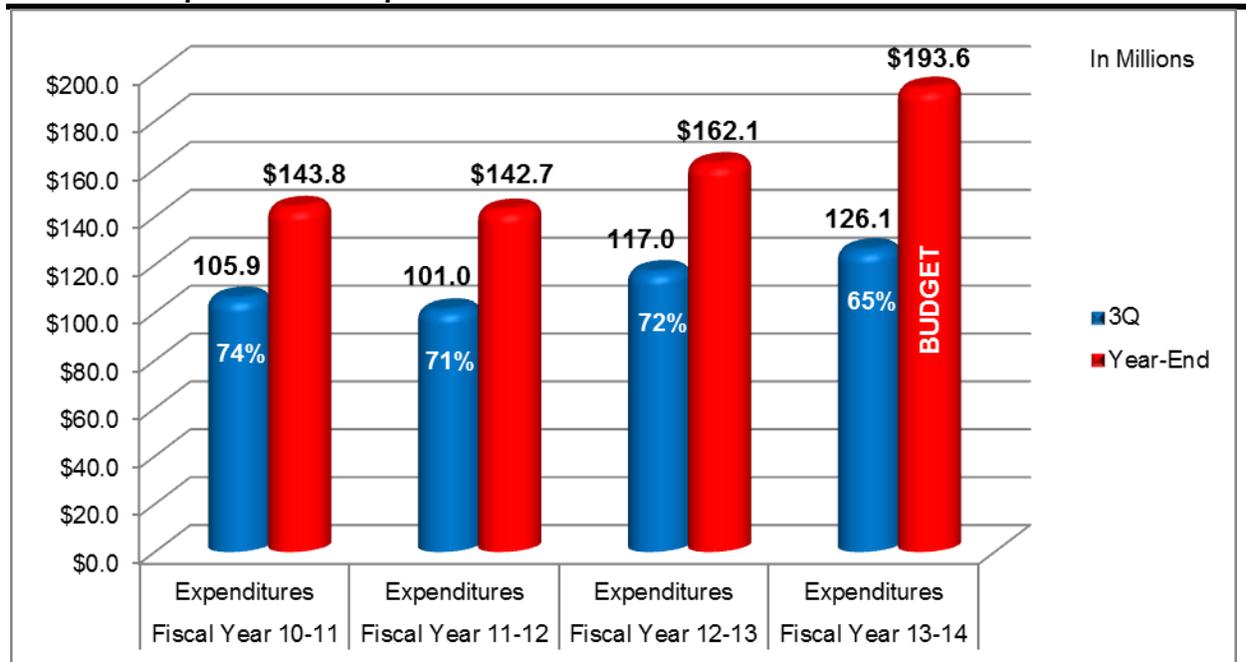


DEPARTMENTAL EXPENDITURES

As of March 31, 2014, expenditures are \$126.1 million, representing 65% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 71% to 74% of the final actual expenditures, placing this year below the range. The lower percentage of expenditures at third quarter

compared to budget is partially attributable to approximately \$6.1 million of net county cost savings which departments are planning to not use and carry-over into the 2014-2015 Budget Year and to the difficulty law enforcement agencies are having in recruiting qualified applicants, resulting in salary savings.

A Safe Community Four Year Expenditure Comparison



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

The recommendations contained in this report for A Safe Community will increase appropriations by \$672,200 and increase estimated revenue by \$59,200, which includes \$9,200 of increased county match. The Net County Cost increase of \$613,000 is funded from Appropriations for Contingencies.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

DISTRICT ATTORNEY

Criminal Division: The Department is requesting a technical adjustment transferring \$23,500 in appropriations from Services & Supplies to Fixed Assets. During the 2013-2014 Proposed Budget, the Department requested and was approved to replace two vehicles that Criminal Investigators routinely used. In conjunction with General Services Agency Fleet Services and the Fleet Services Policy, a used sports utility vehicle was purchased as a replacement. At this time, it is recommended to adjust the budget to align with the approved use of the funds. Additionally, revenue for the division is not materializing as budgeted. The District Attorney and Chief Executive Office will closely monitor revenue and recommend any necessary adjustments to the Board prior to year-end close.

District Attorney	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
DA - Criminal		(\$23,500)		(\$23,500)	Technical adjustment to transfer appropriations from Services & Supplies to Fixed Assets to pay for a previously purchased vehicle as approved in the Proposed budget.
DA - Criminal	\$0	\$23,500	\$0	\$23,500	Technical adjustment to transfer appropriations to Fixed Assets from Services & Supplies to pay for a previously purchased vehicle as approved in the Proposed budget.
Total	\$0	\$0	\$0	\$0	

Summary of Recommendations: It is recommended to transfer \$23,500 in appropriations from Services & Supplies to Fixed Assets.

SHERIFF

Contract Cities: On January 7, 2014, the Board of Supervisors approved an agreement with the Stanislaus Sworn Deputy Association for the conversion of the employer paid member retirement contributions to salary as a result of the Public Employees' Pension Reform Act. On February 4, 2014 the Board of Supervisors approved an agreement with the Stanislaus County Sheriff's Supervisor Association for the conversion of the employer paid member retirement contributions to salary as a result of the Public Employees' Pension Reform Act. The increased cost of salary and benefits resulting from these agreements cannot be absorbed in the current budget for the City of Riverbank. The Sheriff's Department is requesting an ongoing \$50,000 increase in appropriations and estimated revenue in the Contract Cities budget funded by the City of Riverbank in order to fund the previously approved increase in salary and benefits from January 2014 to June 2014.

Court Security: The Department is requesting an increase in estimated revenue and appropriations of up to \$9,200 in the Court Security budget. Certain overhead costs are not allowable expenses that can be charged under the Trial Court Funding Act of 1997 Rule of the Court 810 and are reflected as part of the County Match of \$213,160. To balance the increase in County Cost Applied Program (CAP) charges, the Sheriff's Department is requesting an increase in County Match. The Department will prepare the budget journal to transfer the revenue at year end to ensure the correct amount is funded.

Operations: The Sheriff's Department is requesting a decrease of \$75,000 in the Intrafund account and an increase in the Fixed Assets account. In February of this fiscal year, the Sheriff's Department transferred three vehicles to the Probation Department. The funding for these vehicles was transferred from Probation to the Sheriff's Intrafund account. Transferring the appropriations from the Intrafund account into Fixed Assets will assist the Department in funding increased costs to outfit other vehicles as approved during the 2013-2014 Proposed Budget.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Sheriff - Contract Cities	\$50,000	\$50,000	\$0	\$0	Increase estimated revenue and appropriations in Riverbank's Budget for previously approved salary costs.
Sheriff - Court Security	\$9,200	\$9,200	\$0	\$0	Increase county match and appropriations to fully fund County Cost Applied Program (CAP) charges.
Sheriff - Operations	\$0	(\$75,000)	\$0	(\$75,000)	Decrease appropriations in the intrafund account due to the transfer of funding for three vehicles from the Probation Department.
Sheriff - Operations	\$0	\$75,000	\$0	\$75,000	Increase appropriations in the fixed assets account due to the additional funding from the Probation Department.
Total	\$59,200	\$59,200	\$0	\$0	

Summary of Recommendations: It is recommended to increase estimated revenue and appropriations by \$59,200, funded by Department revenue, which includes \$9,200 in increased county match. County match is considered revenue in non-General Fund budgets.

PUBLIC DEFENDER – INDIGENT DEFENSE

The Public Defender is requesting an increase in appropriations of \$613,000 to fund increased costs for the indigent defense appointed counsel. The Indigent Defense fund is used to pay expenses associated with the defense of indigents who, because of legal conflict, cannot be represented by the Public Defender's Office. The two principal costs for this fund are court appointed attorney fees and contract expenses for the two Conflict firms. For several years, this fund has been supplemented at year end; last fiscal year the fund received a one-time increase of \$500,000 at third quarter. In addition, some of the additional increase may be attributed to an increase in attorney fee charges because of large multiple defendant prosecutions. There are currently several multiple-defendant murder cases being prosecuted in the county. Multiple-defendant cases generally present a greater expense to the County, because many of the accused require counsel from outside the fixed budgets of the Public Defender's Office and/or the two firms that are under contract to provide representation to indigents at a fixed cost.

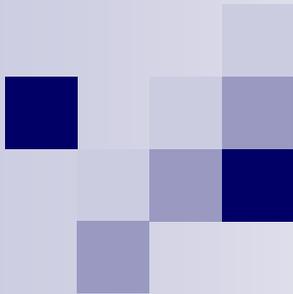
On July 23, 2013, the Board of Supervisors approved the Community Corrections Partnership Phase III implementation of the 2011 Realignment Plan that funded the Public Defender – Indigent Defense fund \$90,000. This estimated revenue and increase in appropriations was reflected in the 2013-2014 Adopted Final Budget.

Based on availability of approximately \$700,000 in existing appropriations at mid-year, staff determined that no adjustment would be necessary prior to the Third Quarter Financial Report. The 2013-2014 Mid-Year Financial Report included a discussion on the approximate \$500,000 exposure in the Indigent Defense Fund. As of April 2014, the Public Defender no longer had sufficient appropriations to pay all of the invoices received as a result of an unanticipated increase in bills received from appointed counsel. In order to timely pay the pending invoices prior to requesting increased appropriations in the 2013-2014 Third Quarter Financial Report, in working with the Auditor's Office, the Public Defender was able to pay for the invoices from the Public Defender's budget. Should the Board approve an increase in the Indigent Defense Fund, the Public Defender will move the expenses incurred in the Public Defender's budget to the proper Indigent Defense Fund.

Chief Executive Office staff, along with the Court Administrator and the Public Defender continue to focus on this issue and are working to develop solutions that will result in a more efficient system for providing indigent defense services.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Public Defender - Indigent Defense		\$613,000	\$0	\$613,000	Increase appropriations to fund increase costs for the indigent defense appointed counsel.
Total	\$0	\$613,000	\$0	\$613,000	

Summary of Recommendations: It is recommended to increase appropriations by \$613,000. The increase in Net County Cost will be funded from a transfer from Appropriations for Contingencies.



A Healthy Community

COUNTY DEPARTMENTS

Area Agency on Aging/Veterans' Services

Behavioral Health and Recovery Services

Child Support Services

Children and Families Commission

Community Services Agency

Health Services Agency

A Healthy Community

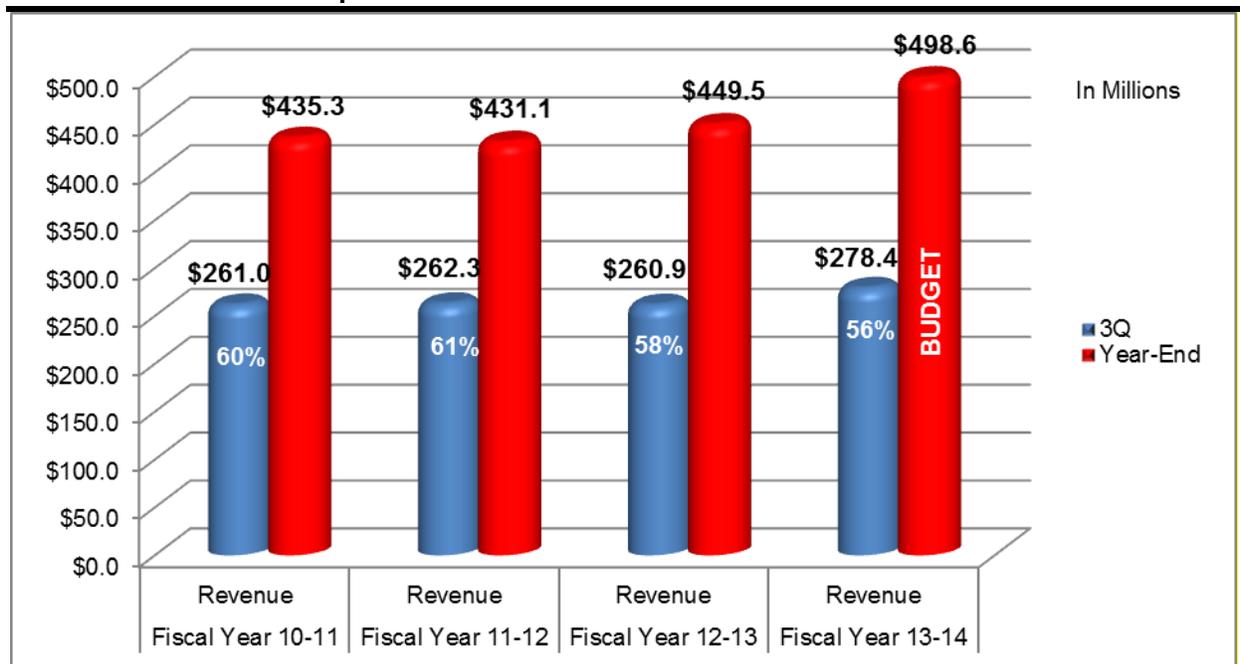
OVERVIEW

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

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Healthy Community as of March 31, 2014, actual revenue is \$278.4 million, which represents 56% 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 58% to 61% of the final actual revenue. Analysis of actual received revenue through March of 2014 indicates the lag is primarily due to the timing of recognizing the claiming revenue in several departmental budgets. It is anticipated that budgeted revenue will materialize by year-end.

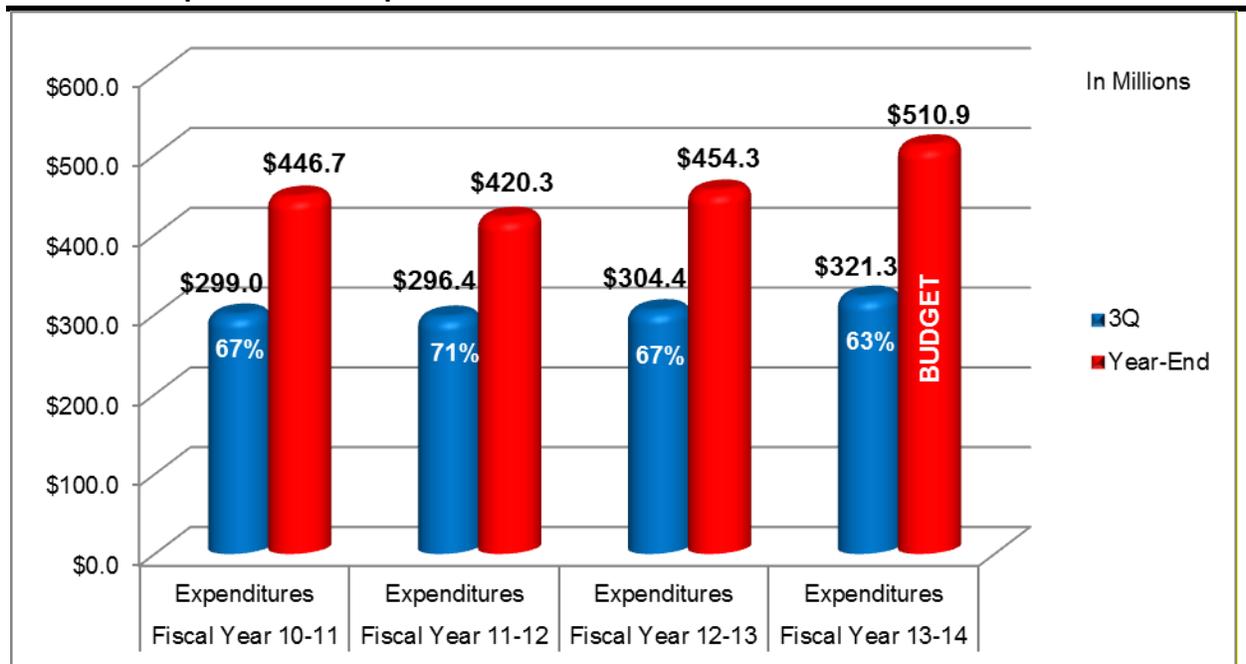
A Healthy Community Four Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2014, expenditures were \$321.3 million, representing 63% of the budgeted appropriations. Expenditures at the third quarter point of the three prior years ranged from 67% to 71% of the final annual expenditures, placing this year's expenditures below the range. This variance is due in part to salary savings from vacant positions and from the current caseload and grants are trending lower than projected at Final Budget. It is anticipated that expenses in the last quarter of the fiscal year will bring them in line with approved spending authority.

A Healthy Community Four Year Expenditure Comparison



Overall, the departments within A Healthy Community are on track to end the year within budget and in a positive fiscal position. The recommendations contained in this report for A Healthy Community will increase appropriations by \$1,029,959 and estimated revenue by \$879,959, resulting in the use of \$150,000 in department fund balance.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

Area Agency on Aging

As part of the Third Quarter Financial Report, the Department is requesting to increase appropriations and estimated revenue by \$130,917. This increase is due to one-time funding from the California Department of Aging (CDA) for senior services and programs.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Area Agency on Aging	\$130,917	\$130,917	\$0	\$0	Increase revenue and appropriations due to one-time funding from the California Department of Aging (CDA) for senior services and programs.
Total	\$130,917	\$130,917	\$0	\$0	

Staffing Requests: In the 2013-2014 First Quarter Financial Report, a new Mental Health Clinician I position was approved to be added for the Area Agency on Aging. After further review, this position is recommended to be a block-budgeted Mental Health Clinician II. This is consistent with the classification design and structure in other County departments. The position will be filled at the Mental Health Clinician I level through the remainder of the fiscal year so there will be no additional cost this fiscal year. It is recommended to reclassify this position upward to a block-budgeted Mental Health Clinician II.

AREA AGENCY ON AGING TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Area Agency on Aging	1	13502	Mental Health Clinician I	Reclassify upward	Mental Health Clinician II-block budget

Summary of Recommendations: It is recommended to increase estimated revenue and appropriations by \$130,917 as outlined in the table above. It is further recommended the staffing change described and outlined in the table above be adopted.

Behavioral Health and Recovery Services

Alcohol and Drug: The Department is requesting an overall increase in appropriations of \$431,000 and estimated revenue of \$281,000 resulting in the use of \$150,000 of departmental fund balance. Included in the total requested increase is \$300,000 for increased services with Aegis Treatment Centers, LLC for the provision of Narcotic Replacement Therapy. These services will be funded from \$150,000 of Drug Medical funding and \$150,000 of departmental fund balance. In addition, the Department projects an increase in the Consultation and Education Primary Prevention program of \$131,000, funded from Federal Substance Abuse Prevention and Treatment (SAPT) block grant funding.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
BHRS - Alcohol & Other Drugs	\$281,000	\$431,000	\$150,000	\$0	Increase in Substance Abuse Prevention and Treatment (SAPT) Block Grant and Drug Medical funding for Consultation and Education Primary Prevention Program and Narcotic Replacement Therapy Program.
	\$0	\$0	\$0	\$0	
Total	\$281,000	\$431,000	\$150,000	\$0	

Staffing Requests: The Department is requesting to add three new block-budgeted Mental Health Clinician II positions in Behavioral Health and Recovery Services. One position will act as a Training Coordinator to facilitate the Mental Health Services Act employment and training program. This position must be filled with a Licensed Clinical Social Worker or a Licensed Marriage and Family Therapist to

provide continuing education classes for staff. Previously, these duties were covered by a contract with California State University Stanislaus which will not be renewed next fiscal year. The cost savings from the contract will fund this position. The two other Mental Health Clinician II positions will provide mental health assessments, individual and group therapy, and partner with the clinical team to provide services to clients. One of the positions will be for the Youth and Family Services Program through the Children's System of Care and the other position will be for the Juvenile Drug Court through the Children's System of Care. These two positions will be funded with Medi-Cal revenues.

The Department is requesting to reclassify upward one vacant Administrative Clerk III position to a Confidential Assistant III position. In efforts to apply consistent Human Resources (HR) practices to all employees including full-time, part-time, and personal services contractors (PSC), the Department is consolidating the PSC function from the Contracts unit into the Human Resources unit. To assist with this workload shift, the Department is also transferring one Administrative Clerk III position from their Contracts Unit to their Human Resources Unit. Currently, the Department HR Unit consists of one Confidential Assistant IV, one Confidential Assistant III and one Confidential Assistant II. Due to this added function and the necessity to cross train all HR staff on all functions including recruitments, payroll and leave administration, the Department is requesting to reclassify upward the vacant Administrative Clerk III position to a Confidential Assistant III position. The cost of the reclassification is \$6,780.80 annually and will be funded through existing department appropriations.

The Department is also requesting one new Senior Nurse Practitioner position to serve as a mid-level provider. The Department continues to struggle recruiting and retaining psychiatrists. The Senior Nurse Practitioner, under the guidance of a qualified psychiatrist, is able to diagnose and treat individuals with mental illness. The Senior Nurse Practitioner is an economical solution to provide needed services to the community. This position will be funded with Medi-Cal revenues.

The Department is requesting classification studies for one Recreational Therapist position in Mental Health Services and for one Stock Delivery Clerk I position in the Public Guardian Division. It is recommended to study these positions. The Department is further requesting to add two new classifications, Senior Psychiatric Nurse Practitioner and Psychiatric Nurse Practitioner. It is recommended to study these new classifications requests.

The Department is requesting to transfer one Behavioral Health Specialist II position and one Clinical Services Technician II position from the Stanislaus Recovery Center to the Alcohol and Drug program. This is to correctly align the positions with the correct budget.

BEHAVIORAL HEALTH AND RECOVERY SERVICES STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Behavioral Health and Recovery Services	3	NEW	Mental Health Clinician II	Add new positions	Mental Health Clinician II-block budget
Behavioral Health and Recovery Services	1	NEW	Senior Nurse Practitioner	Add new position	Senior Nurse Practitioner
BHRS CHANGES	4				
Beginning Allocation	373				
Changes in Allocation	4				
Ending Allocation	377				

BEHAVIORAL HEALTH AND RECOVERY SERVICES TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Alcohol and Drug Program	1	460	Behavioral Health Specialist II	Transfer in	Transfer from Stanislaus Recovery Center
Alcohol and Drug Program	1	533	Clinical Services Technician II	Transfer in	Transfer from Stanislaus Recovery Center
Behavioral Health and Recovery Services	1	9793	Administrative Clerk III	Reclassify upward	Confidential Assistant III
Behavioral Health and Recovery Services	1	NEW	Psychiatric Nurse Practitioner	Add new classification and position	Study
Behavioral Health and Recovery Services	1	NEW	Senior Psychiatric Nurse Practitioner	Add new classification and position	Study
Mental Health Services Act	1	232	Recreational Therapist	Classification study	Study
Public Guardian	1	8987	Stock Delivery Clerk I	Classification study	Study
Stanislaus Recovery Center	-1	460	Behavioral Health Specialist II	Transfer out	Transfer to Alcohol and Drug Program
Stanislaus Recovery Center	-1	533	Clinical Services Technician II	Transfer out	Transfer to Alcohol and Drug Program

Summary of Recommendations: It is recommended to increase estimated revenue by \$281,000 and appropriations by \$431,000 resulting in the use of \$150,000 of departmental fund balance. It is further recommended the staffing changes described and outlined in the table above be adopted.

COMMUNITY SERVICES AGENCY

Staffing Requests: As part of the 2013-2014 First Quarter Financial Report the Department requested to add one Supervising Account/Administrative Clerk II position. This position will supervise seven Social Services Assistants who currently report directly to a Manager IV who oversees the Adult Protective Service and In Home Supportive Services Programs. The Social Services Assistants require a front line supervisor to provide direct supervision to the unit. In order to support this function, it is recommended to reclassify upward one vacant Administrative Clerk II position to a block-budgeted Supervising Account/Administrative Clerk II position. This position will be funded by the In Home Supportive Services Administration allocation and the Public Authority allocation supported within the existing Maintenance of Effort (MOE) financial model. There will be no increase to the County General Fund.

The Department also requested a classification study for one Application Specialist III position as part of the 2013-2014 First Quarter Financial Report. A study has been completed and based on the job duties and responsibilities, it is recommended to reclassify the position upward to a block-budgeted Systems Engineer II. This position is shared by all Community Services Agency programs and will be funded within the Fiscal Year 2013-2014 allocation of General Funds.

COMMUNITY SERVICES AGENCY TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Services and Support	1	3132	Administrative Clerk II	Reclassify upward	Supervising Acct/Admin Clerk II-block budget
Services and Support	1	7656	Application Specialist III	Reclassify upward	Systems Engineer II-block budget

Summary of Recommendations: It is recommended the staffing changes described and outlined in the table above be adopted.

HEALTH SERVICES AGENCY

Indigent Health Care Program: The Agency is requesting to increase appropriations and estimated revenue by \$468,042 due to increased revenue from Realignment Vehicle License Fees for the cost of Medically Indigent Adult program medical and dental services projected to occur through the end of the fiscal year.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Indigent Health Care Program	\$468,042	\$468,042	\$0	\$0	Increase appropriations and revenue due to increased revenue from the Realignment Vehicle License Fees for the cost of medical and dental services
	\$0	\$0	\$0	\$0	
Total	\$468,042	\$468,042	\$0	\$0	

Staffing Requests: The Agency is requesting to add one new block-budgeted Software Developer II position in Administration to assist with the implementation of the Electronic Medical Record (EMR) for the Health Services Agency. The Agency is required by federal law to migrate from hard copy medical records to an EMR system. The system requires multiple interfaces with hardware and software to operate. A dedicated staff person is necessary as the scope of the assignment is not able to be absorbed by the existing staff in the Health Services Agency Information Technology Division. This position resides within the Agency's Administration budget and the cost will be allocated to the other Health Services Agency budgets.

The Agency is requesting to reclassify upward one vacant Manager II position to a Manager III position in Clinics and Ancillary Services. This position is the Assistant Clinic Manager and is required to be a Registered Nurse. The Assistant Clinic Manager operates the clinic in the absence of the Clinic Manager. Currently, there is a salary compaction issue between the Staff Nurse III classification and the Manager II classification limiting the Department's ability to fill the position. The Staff Nurse III salary at step 5 is \$40.43 per hour and the Manager II at the top of the band is \$41.47 per hour. This position is funded through the Clinics and Ancillary Services budget and is in support of revenue generating activities. The increased cost of \$9,318.40 annually will also be offset by the Department's salary savings. It is recommended to reclassify upward one Manager II to a Manager III position.

The Agency is requesting to transfer one vacant Account Clerk III position from Health Services Agency Administration to Clinics and Ancillary Services. This position is needed to perform clerical job duties, responsibilities and assignments in the Clinics and Ancillary Health Coverage and Quality Services Division. The increase in cost will be offset by accumulated salary savings in this budget due to vacancies in the current fiscal year.

The Agency is requesting to unfund one vacant Supervising Account/Administrative Clerk I position in the Indigent Health Care Program.

The Agency is requesting to reclassify upward one vacant Physical Therapist II position to a Physical Therapist III position in Public Health to assist in the supervision of Physical Therapy Assistants and Physical Therapists I/II positions. In order to maintain its funding through the California Children Services (CCS) program, the Physical Therapy Assistants and the Physical Therapists I/II positions must have clinical supervision by a Licensed Physical Therapist. In the past, the manager of CCS has been a Physical Therapist. The new manager is an Occupational Therapist so can no longer provide the clinical supervision. The increase in salary costs of \$4,888 annually will be funded with 50% from the California Children's Services grant and 50% by existing department appropriations. It is recommended to reclassify upward one Physical Therapist II position to a Physical Therapist III position.

The Agency is requesting to reclassify upward two Manager II positions to Manager III positions in the Public Health Division to oversee clinical and social case managers and perform complex clinical case management for the California Children's Services program and the Community Health Services program. It is recommended to study these positions.

HEALTH SERVICES AGENCY STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Administration	1	NEW	Software Developer II	Add new position	Software Developer II-block budget
Indigent Health Care Program	-1	10172	Supervising Acct/Admin Clerk I	Unfund vacant position	Unfund position
H.S.A. CHANGES	0				
Beginning Allocation	459				
Changes in Allocation	0				
Ending Allocation	459				
HEALTH SERVICES AGENCY TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Administration	-1	11608	Account Clerk III	Transfer out	Transfer to Clinics & Ancillary
Clinics & Ancillary Services	1	11608	Account Clerk III	Transfer in	Transfer from Administration
	1	10163	Manager II	Reclassify upward	Manager III
Public Health	1	181	Physical Therapist II	Reclassify upward	Physical Therapist III
	2	2007, 9232	Manager II	Reclassify upward	Study

Summary of Recommendations: It is recommended to increase estimated revenue and appropriations by \$468,042 to accurately reflect year-end projections. It is further recommended the staffing changes described and outlined in the table above be adopted.



A Strong Local Economy

COUNTY DEPARTMENTS

Alliance Worknet
Library

A Strong Local Economy

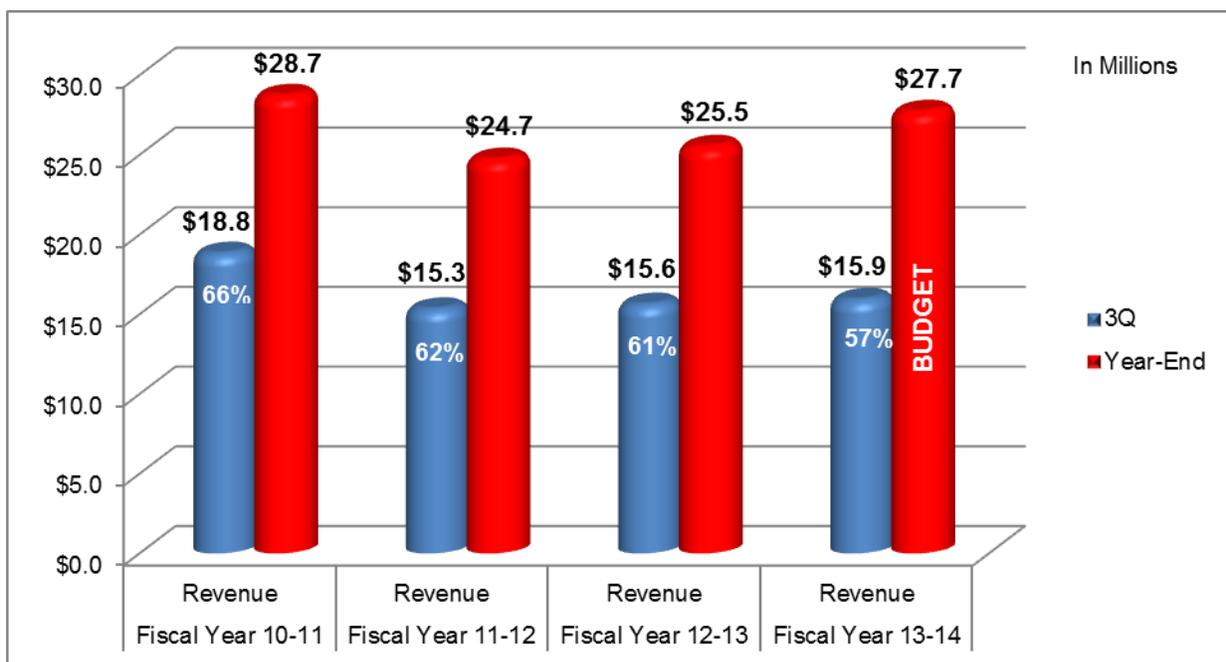
OVERVIEW

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

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Strong Local Economy as of March 31, 2014, actual revenue collected is \$15.9 million, which represents 57% of the estimated annual revenue. This is below the range when compared to third quarter of the prior three years when collections were 61% to 66% of the final actual revenue. This is the result of a lower number of participants than originally projected in the Alliance-Worknet StanWorks budget.

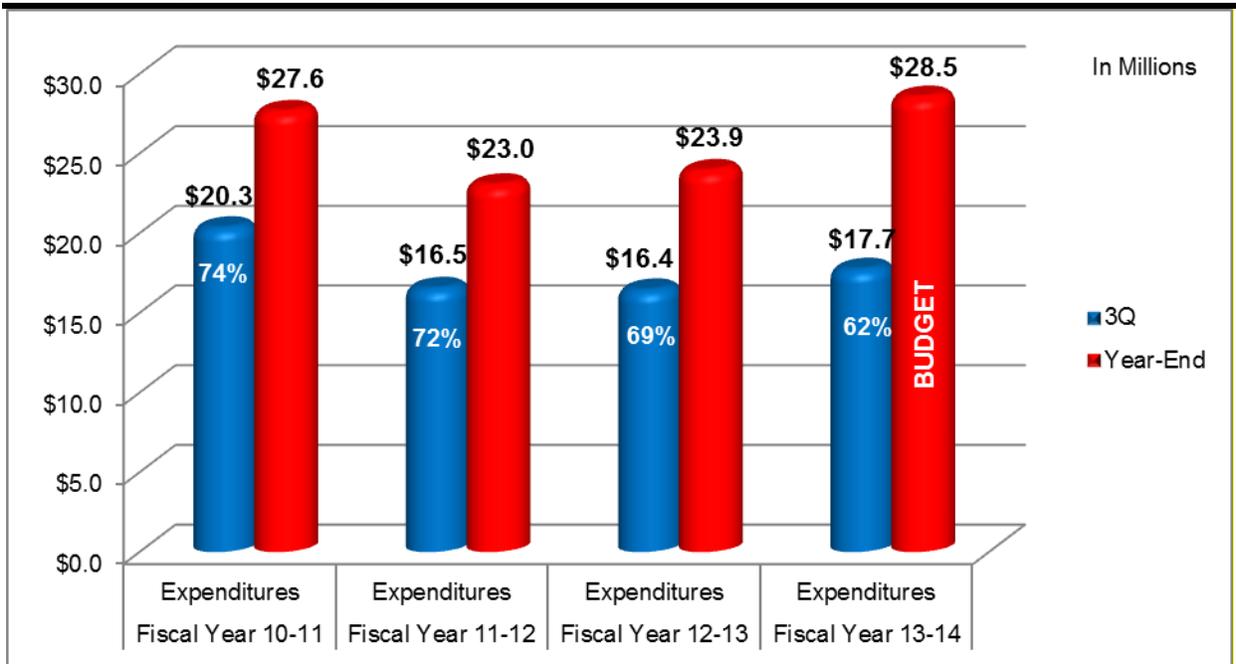
A Strong Local Economy Four Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2014, expenditures are \$17.7 million, representing 62% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 69% to 74% of the final actual expenditures, placing this year below the range, which is consistent with departments in this priority that have carried over net county costs savings at fiscal year-end in anticipation of future cost increases for health and retirement costs.

A Strong Local Economy Four Year Expenditure Comparison



Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Strong Local Economy are projected to meet budget at year-end. There are no recommended budget changes for this priority area.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

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



A Strong Agricultural Economy/Heritage

COUNTY DEPARTMENTS

Agricultural Commissioner
Cooperative Extension

A Strong Agricultural Economy/Heritage

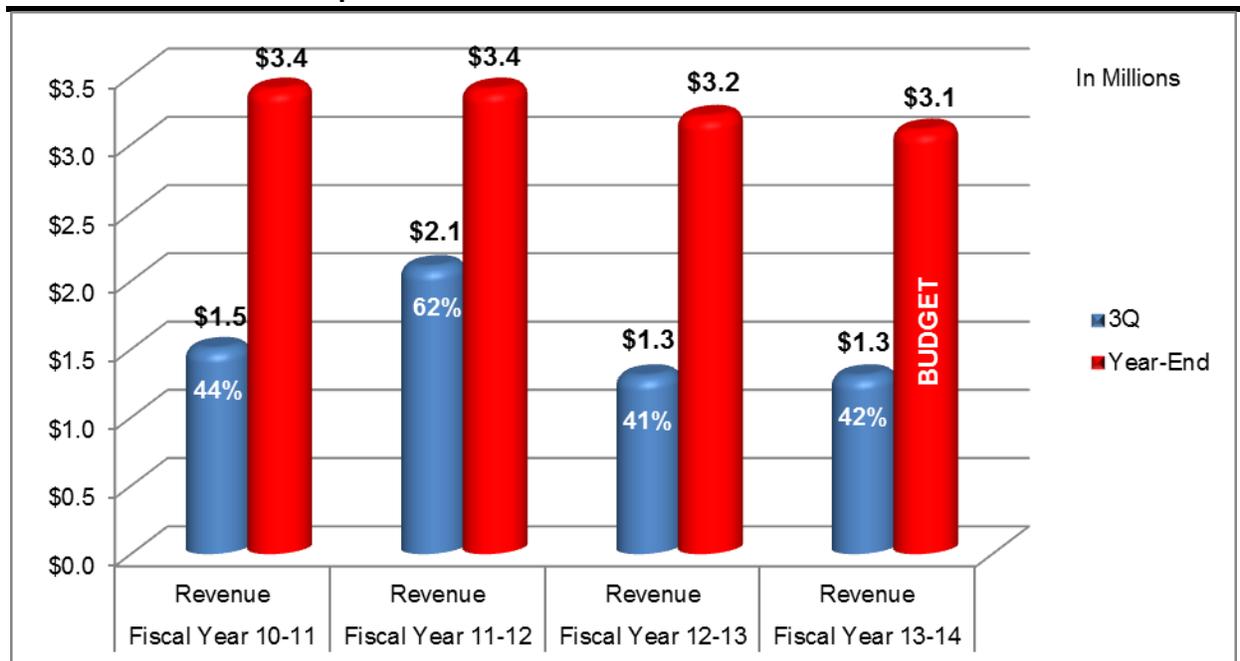
OVERVIEW

The Board of Supervisors priority area of A Strong Agricultural Economy/Heritage recognizes the vital role of the County's number one industry that generates over \$3 billion per year for County residents. Farmland conversion, air pollution, soil salinity and drainage, agricultural water supply and water quality, and preservation of our unique agriculture heritage are key aspects of A Strong Agricultural Economy/Heritage. Departments assigned to this priority area include: Agricultural Commissioner's Office and Cooperative Extension. The major funding source for these County budgets includes contributions from the General Fund. The Agricultural Commissioner receives State funding for a number of programs as well as charges for specific services. While not part of the County budget, Cooperative Extension's University of California advisors are funded through the University of California system.

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Strong Agricultural Economy/Heritage, as of March 31, 2014, actual revenue collected is \$1.3 million, which represents 42% of the estimated annual revenue. This is within the range when compared to third quarter of the prior three years when collections were 41% to 62% of the final actual revenue.

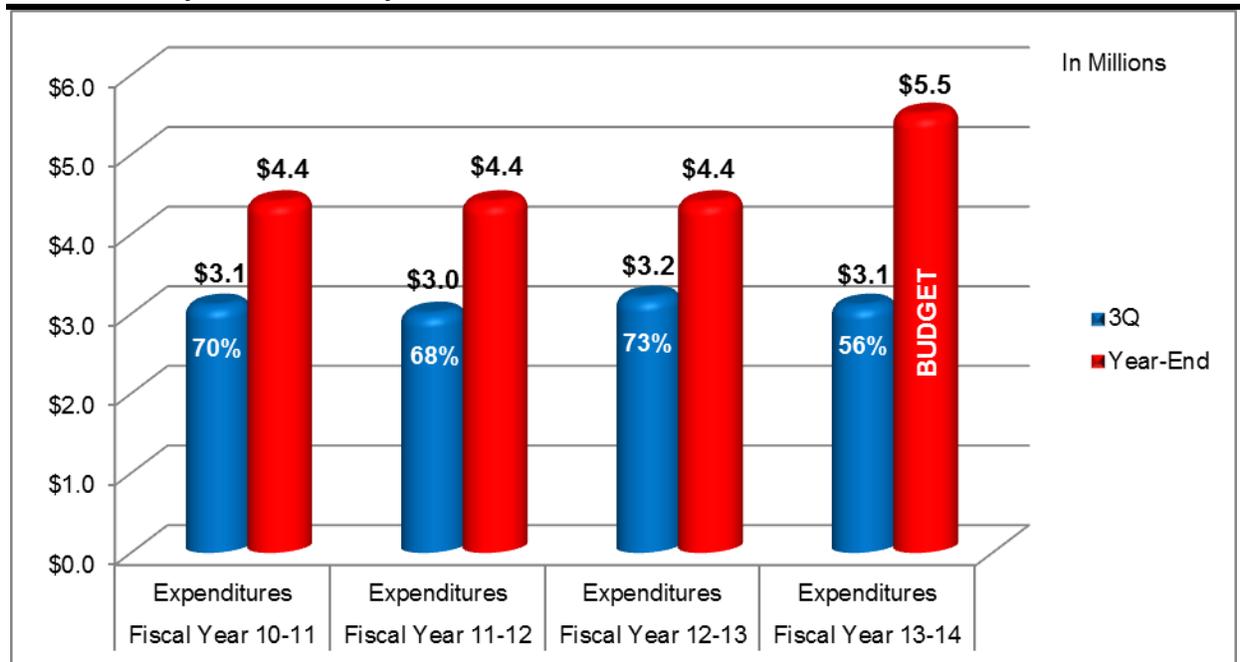
A Strong Agricultural Economy/Heritage Four Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2014, expenditures are \$3.1 million, representing 56% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 68% to 73% of the final actual expenditures, placing this year below the range, which is consistent with departments in this priority that have carried over net county costs savings at fiscal year-end in anticipation of cost increases for health and retirement costs.

A Strong Agricultural Economy/Heritage Four Year Expenditure Comparison



Overall, estimated revenue and appropriations for A Strong Agricultural Economy/Heritage are recommended to increase by \$159,243.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

Agricultural Commissioner

The Department has received an increase in pesticide mill tax in the amount of \$113,696 from the California Department of Pesticide Regulation. In addition, an increase in the unclaimed gas tax in the amount of \$45,547 was received. The additional revenue will be used to offset net county cost savings use for approved salaries and benefits.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Agricultural Commissioner	\$159,243	\$159,243	\$0	\$0	Increase in unclaimed gas and pesticide mill tax.
Total	\$159,243	\$159,243	\$0	\$0	

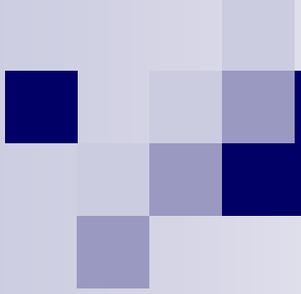
Staffing Requests: The Department is requesting to reclassify upward one vacant Account Clerk II position to an Accounting Technician position. The Department is currently in the process of reorganizing the clerical unit including the accounting staff. The Confidential Assistant IV position has been performing the accounting duties however priorities have been shifted to providing increased executive assistant support to the Department Head and implementing departmental process improvements. The Accounting Technician will be responsible for preparing 16 State & Federal contract monthly invoices and 20 State monthly reports, reconciliation of the Department Agricultural Daily program, monthly budget program reconciliation and budget projections, monthly credit card reconciliation, fixed asset maintenance and key control for the Agricultural Center. The annual cost of the position is approximately \$67,200. The \$13,200 additional cost for the remainder of this fiscal year will be funded with prior year savings.

The Department requested a classification study for one Confidential Assistant II position as part of the 2012-2013 Mid-Year Financial Report. The study has been completed and based on the job duties and responsibilities of this position, it is recommended to reclassify upward one Confidential Assistant II position to a Confidential Assistant III position. The salary cost difference will be absorbed within the Department's existing appropriations.

The Department requested a classification study for one Agricultural Assistant II position as part of the 2013-2014 Proposed Budget. The study has been completed and based on the job duties and responsibilities of this position, it is recommended to reclassify upward one Agricultural Assistant II position to a block-budgeted Application Specialist II position. The salary cost difference will be absorbed within the Department's existing appropriations.

AGRICULTURAL COMMISSIONER TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Agricultural Commissioner	1	3227	Account Clerk II	Reclassify upward	Accounting Technician
Agricultural Commissioner	1	3429	Confidential Assistant II	Reclassify upward	Confidential Assistant III
Agricultural Commissioner	1	10513	Agricultural Assistant II	Reclassify upward	Application Specialist II-block budget

Summary of Recommendations: It is recommended to increase estimated revenue and appropriations by \$159,243. It is further recommended the staffing changes described and outlined in the table above be adopted.



A Well Planned Infrastructure System

COUNTY DEPARTMENTS

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

A Well Planned Infrastructure System

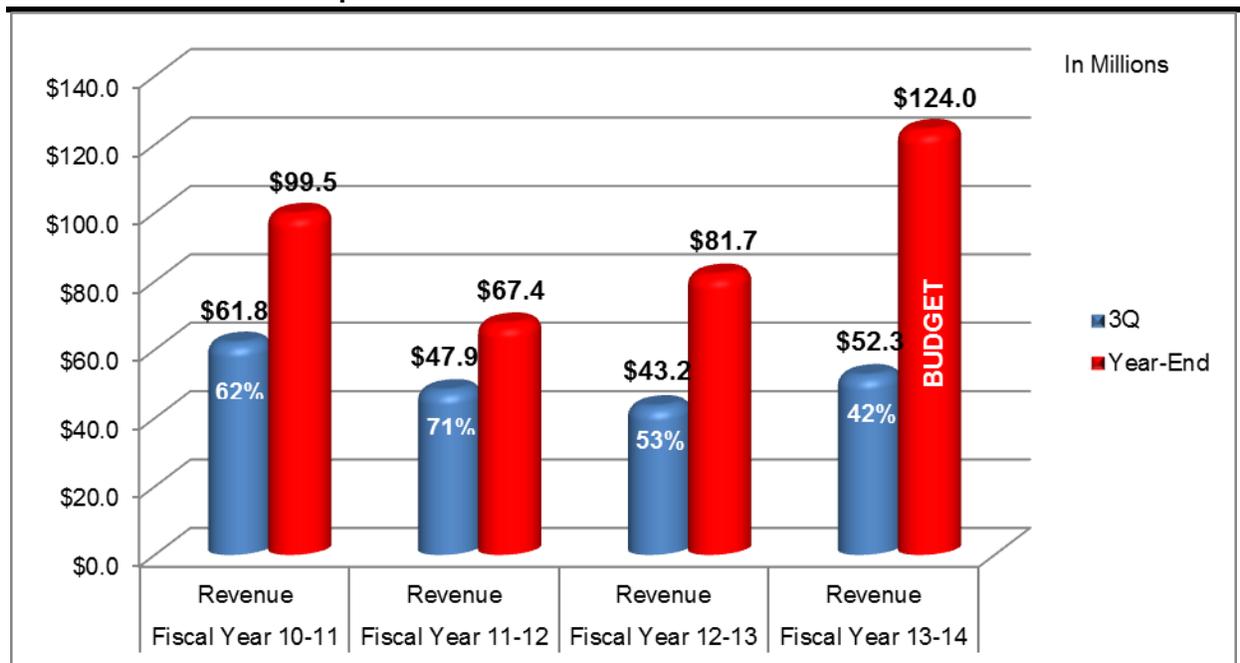
OVERVIEW

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

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Well Planned Infrastructure System, as of March 31, 2014, actual revenue collected is \$52.3 million, which represents 42% of the estimated annual revenue. This is lower than the range when compared to third quarter of the prior three years when collections ranged from 53% to 71% of the final actual revenue. The lower percentage at third quarter compared to the same time last year is primarily due to the timing of two large projects: SR99/Kiernan Interchange Project and Claribel Road Widening. Anticipated revenues for these projects are received as reimbursements and, therefore, will track with expenditures.

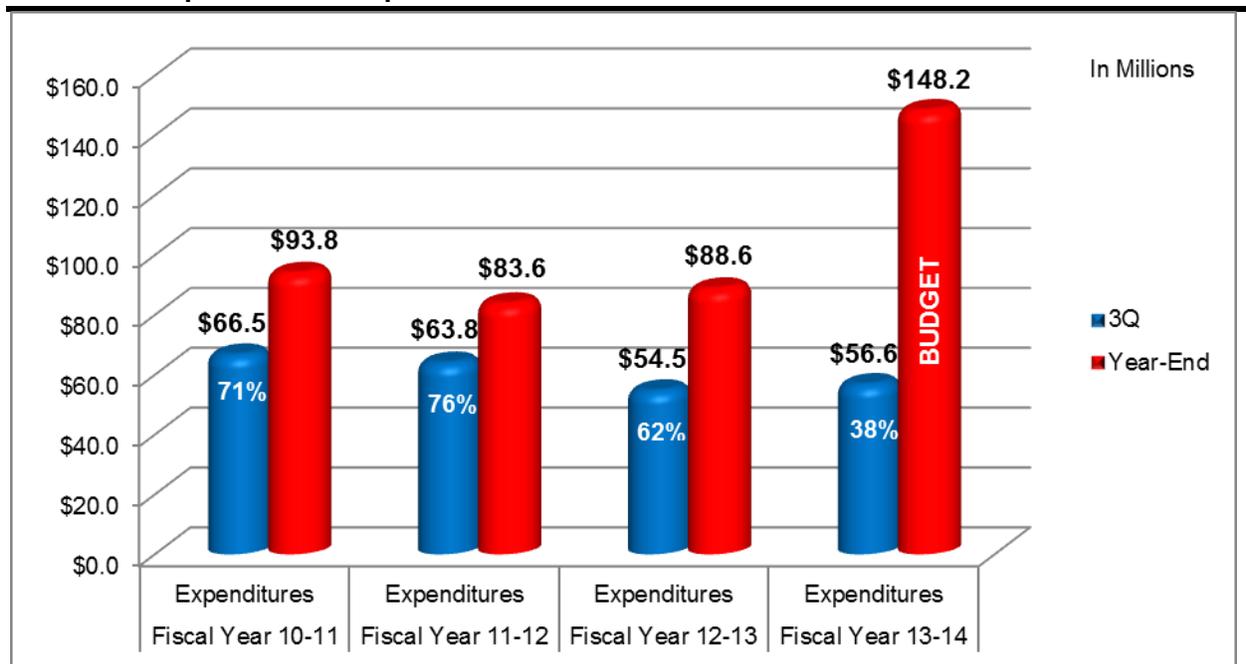
A Well Planned Infrastructure System Four Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2014, expenditures are \$56.6 million, representing 38% of the budgeted appropriations. Expenditures at the third quarter of the prior three years ranged from 62% to 76% of the final actual expenditures, placing this year’s expenditures below the range. The lower percentage at third quarter compared to the same time last year is primarily due to the completion of several one-time Federal grants in the Planning – Special Revenue Grants budget and the timing of two large projects in the Public Works – Road and Bridge budget: SR99/Kiernan Interchange and Claribel Road Widening. Road capital projects are fully budgeted in the current year, however actual expenditures occur over multiple years. The SR99/Kiernan Interchange project began in January 2013, while the Claribel Road Widening project is currently in the Right-of-Way acquisition phase.

**A Well Planned Infrastructure System
Four Year Expenditure Comparison**



Overall, estimated revenue and appropriations for the departments within A Well Planned Infrastructure System are recommended to increase by \$125,000.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

ENVIRONMENTAL RESOURCES – CODE ENFORCEMENT ABATEMENT

The Department of Environmental Resources Code Enforcement Unit (CEU) responds to complaints throughout the unincorporated area of Stanislaus County and attempts to gain voluntary compliance through education and personal contact by working with property owners and those persons responsible for creating nuisances. Compliance efforts include issuing Notice and Orders to Abate, conducting inspections, granting extension requests, issuing Administrative Civil Citations, recording Notices of Non-compliance with the Clerk-Recorder’s Office, presenting cases before the Nuisance Abatement Hearing Board and the Board of Supervisors, obtaining inspection warrants, and conducting forced clean-ups.

The Department receives approximately 850 complaints annually that must be investigated. The majority of these cases are resolved at the staff level. Because funds have not been specifically allocated for nuisance abatement, the Department must be selective in abating only those nuisances that have a serious and immediate public health and safety implication. The Department must also be sensitive to taking on cases resulting in the need for costly legal action. The immediate need to pay for legal costs when cost recovery may take years is a limiting factor when deciding to proceed with the worst code enforcement cases. Cost recovery through the lien process can take six to seven years or more if the property must go to public auction and if the property does not sell at the first opportunity, the price may be reduced and full cost recovery may not be obtained. Establishing a revolving fund would create an improved ability to act more swiftly and less selectively on the largest and worst code enforcement cases.

The establishment of a specific, revolving fund with a one-time upfront amount will improve the County's ability to act more swiftly on the largest and worst code enforcement issues with greater legal resources. The start-up funds of \$125,000 are currently available and were received in October 2013 from a code enforcement settlement of the People v. Dan J. Avila, et al. court action.

The intent of this fund is to allow cost protection for legal processes above and beyond what the department has budgeted to do their work. A Committee comprised of the Director of Environmental Resources, Director of Planning and Community Development, County Counsel, and Chief Executive Office designee shall be developed to review and approve recommended uses of the account.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
DER - Code Enforcement Abatement	\$125,000	\$125,000	\$0	\$0	Establishment of a Code Enforcement Abatement fund.
Total	\$125,000	\$125,000	\$0	\$0	

Staffing Request: The Department requested a classification study for one Systems Engineer II position as part of the 2012-2013 Final Budget. A study has been completed and based on the job duties and responsibilities, it is recommended to reclassify the position upward to a Senior Systems Engineer. The increase in salary costs will be absorbed within the Department's existing appropriations.

DEPARTMENT OF ENVIRONMENTAL RESOURCES TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Environmental Resources	1	868	Systems Engineer II	Reclassify upward	Senior Systems Engineer

Summary of Recommendations: It is recommended to increase estimated revenue and appropriations by \$125,000 to establish a Code Enforcement Abatement fund. It is further recommended the staffing change described and outlined in the table above be adopted.

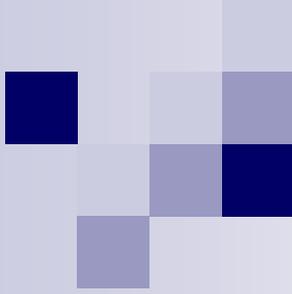
PLANNING AND COMMUNITY DEVELOPMENT

Staffing Requests: The Department is requesting to reclassify downward one vacant Manager II position in the Planning Division to a Building Inspector III position and transfer the position to Building Permits. This request is to meet the demands of the increasing number of requests for building inspections. In 2009-2010, the Department had to reduce the field inspection staff due to the slowdown in building permits. This left three field inspectors remaining. The building permits have been steadily increasing over the last

three years and the current volume of inspections exceeds the 2009 levels when the division was operating with six field inspectors. The Building Inspector III position will be responsible for performing the more complex field inspections. This position will be funded from the additional revenue received as a result of increased building permit activity and fee collections over the past three years.

PLANNING AND COMMUNITY DEVELOPMENT TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Building Permits	1	2211	Building Inspector III	Transfer in	Transfer from Planning and Community Development
Planning and Community Development	-1	2211	Manager II	Reclassify downward and transfer out	Building Inspector III; Transfer to Building Permits

Summary of Recommendations: It is recommended the staffing changes described and outlined in the table above be adopted.



Efficient Delivery of Public Services

COUNTY DEPARTMENTS

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

Efficient Delivery of Public Services

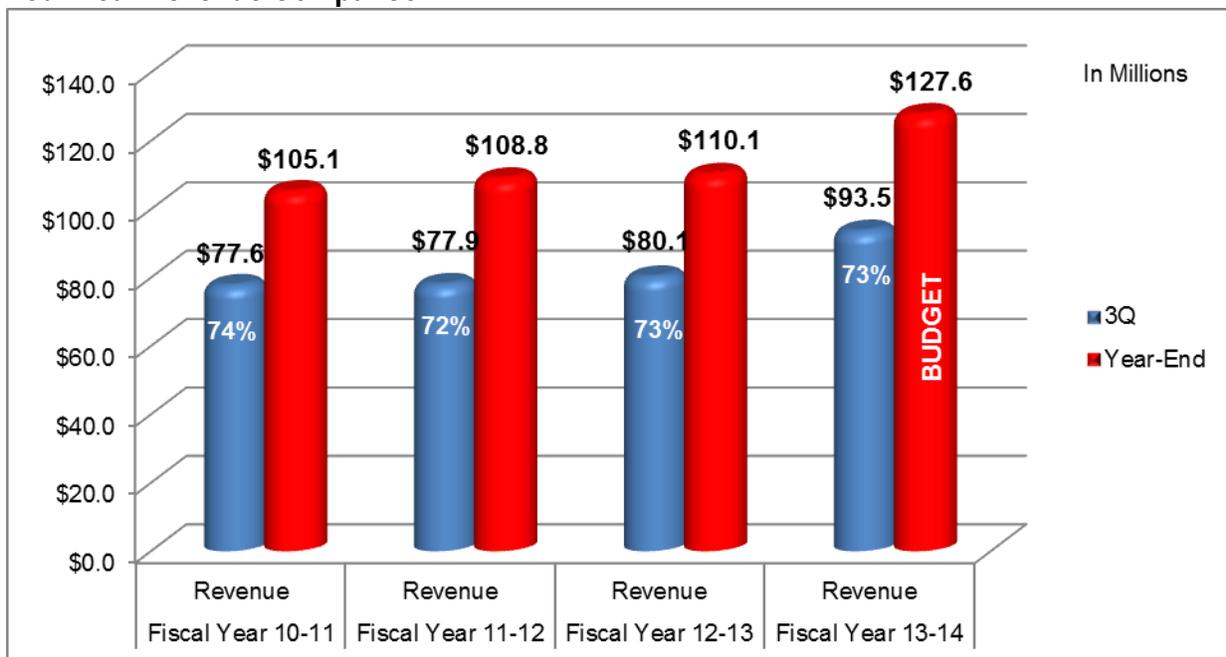
OVERVIEW

The public expects government to be responsive to their needs and to conduct business efficiently. County departments provide services to a diverse customer base and to serve these customers efficiently, it is important to consistently understand and review how to improve County services. Departments assigned to the Board of Supervisors priority area of Efficient Delivery of Public Services include: Assessor, Auditor - Controller, Board of Supervisors, Chief Executive Office, Clerk-Recorder/Elections, County Counsel, General Services Agency, Strategic Business Technology and Treasurer-Tax Collector. The revenue used to pay for the majority of these services comes from local taxes such as property tax and sales tax, fees, franchises, charges for services, and a variety of other discretionary sources. A large portion of the Clerk-Recorder is funded through charges for services provided. The General Services Agency and Strategic Business Technology's primary funding source is charging other County departments for services provided.

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of Efficient Delivery of Public Services as of March 31, 2014, actual revenue collected is \$93.5 million, which represents 73% 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 72% to 74% of the final actual revenue.

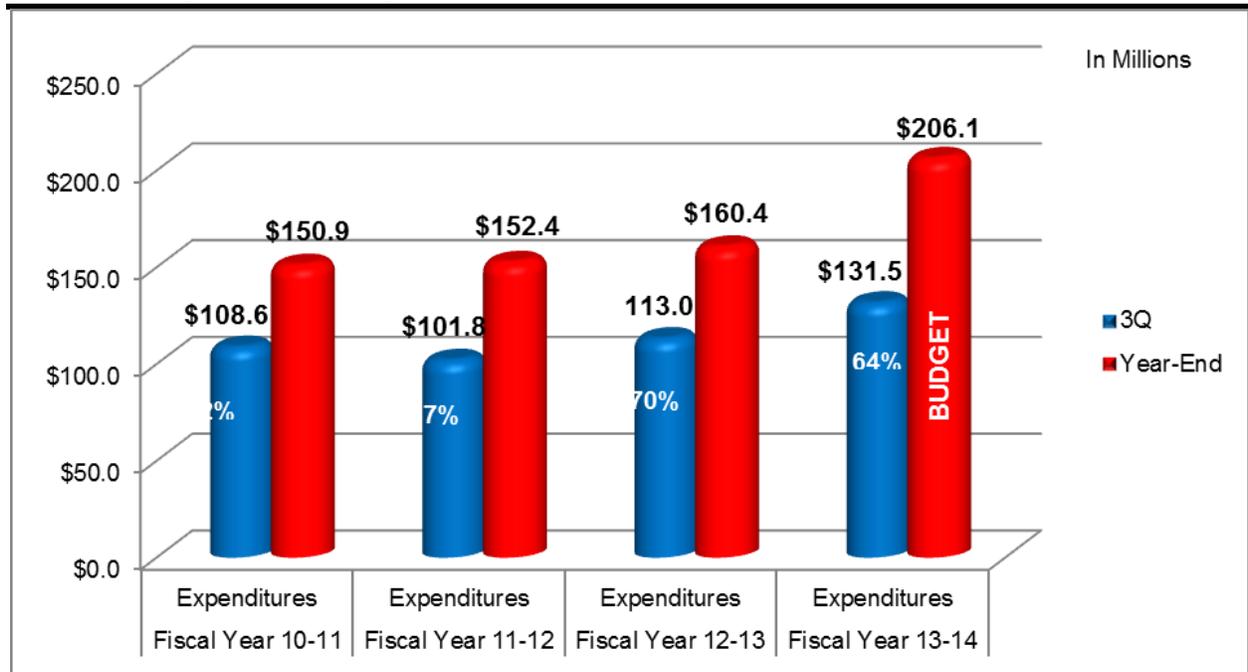
Efficient Delivery of Public Services Four Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2014, expenditures are \$131.5 million, which represents 64% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 67% to 72% of the final actual expenditures, placing this year below the range, consistent with departments in this priority that have carried over net county cost savings at fiscal year-end in anticipation of future costs increases for health and retirement costs. In addition, this priority area includes Appropriations for Contingencies that have not been fully required for emergent, unplanned costs to this point in the fiscal year.

**Efficient Delivery of Public Services
Four Year Expenditure Comparison**



The recommendations contained in this report for Efficient Delivery of Public Services include an increase in appropriations of \$184,200 and in estimated revenue of \$120,000 resulting in the use of \$55,000 in departmental fund balance and an increase of \$9,200 in General Fund net county cost. Recommendations also include a transfer from Appropriations for Contingencies of \$622,200.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

AUDITOR-CONTROLLER

Staffing Requests: The Department is requesting to unfund one vacant Account Clerk III position and one vacant Accounting Technician position. The Department had requested two positions in the 2013-2014 Mid-Year Financial Report with the plan to conduct internal promotional recruitments and then unfund the lower level classifications. These recruitments are now complete.

AUDITOR-CONTROLLER STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Auditor-Controller	-1	11305	Account Clerk III	Unfund vacant position	Unfund position
Auditor-Controller	-1	3258	Accounting Technician	Unfund vacant position	Unfund position
AUDITOR-CONTROLLER CHANGES	-2				
Beginning Allocation	37				
Changes in Allocation	-2				
Ending Allocation	35				

Summary of Recommendations: It is recommended the staffing changes described and outlined in the table above be adopted.

CHIEF EXECUTIVE OFFICE – COUNTY OPERATIONS

Appropriations for Contingencies: Appropriations for Contingencies serves as a contingency fund for the County to provide sufficient funding for emergencies and unanticipated expenses. Transfers from this fund require a four-fifths vote of the Board of Supervisors. The 2013-2014 Adopted Final Budget included \$4,420,864 in appropriations for unexpected fiscal and program financial exposures or emergencies which may occur as a result of the economic decline, reductions in Federal and State revenues, or other program and community needs.

Through March 31, 2014, transfers from Appropriations for Contingencies were approved by the Board of Supervisors totaling \$899,700, which included \$77,700 to fund one Manager IV to act as the Water Resource Manager in the Department of Environmental Resources and \$822,000 to fully fund the County's obligations to the North McHenry Revenue Sharing Agreement with the City of Modesto. As a result of these transfers, the 2013-2014 contingency balance is \$3,521,164.

At this time, it is requested that appropriations be decreased by \$613,000 in order to fund the Public Defender Indigent Defense budget. It is also requested that appropriations be decreased by \$9,200 to fund Sheriff Court Security Cost Allocation Plan (CAP) charges via the General Fund Contribution to Other Programs budget. These actions require a four-fifths vote by the Board of Supervisors. If the requested use of \$622,200 is approved, a remaining balance of \$2,898,964 would be available for use through June 30, 2014.

General Fund Contribution to Other Programs: As part of the 2013-2014 Adopted Proposed Budget the Sheriff Court Security division was moved from the General Fund to the Special Revenue Fund. Certain costs such as Cost Allocation Plan (CAP) charges are the responsibility of the County and are funded through the General Fund Contribution to Other Programs budget. At this time, an increase in appropriations of \$9,200 is requested to fully fund the projected CAP charges in the Sheriff Court Security budget.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
CEO - Appropriations for Contingencies	\$0	(\$622,200)	\$0	(\$622,200)	Transfer of \$613,000 in appropriations to Public Defender Indigent Defense and \$9,200 to General Fund Contribution to Other Programs for Sheriff Court Security.
CEO - General Fund Contribution to Other Programs	\$0	\$9,200	\$0	\$9,200	Increase in appropriations for Sheriff Court Security Cost Allocation Plan (CAP) charges.
Total	\$0	(\$613,000)	\$0	(\$613,000)	

Summary of Recommendations: It is recommended to decrease appropriations by \$613,000 through a transfer from Appropriations for Contingencies of \$613,000 to Public Defender Indigent Defense and \$9,200 to General Fund Contribution to Other Programs for the Sheriff Court Security budget. Use of Appropriations for Contingencies requires a four-fifths vote by the Board of Supervisors.

CHIEF EXECUTIVE OFFICE - RISK MANAGEMENT

Staffing Requests: The Department is requesting to reclassify upward one Confidential Assistant IV position to a block-budgeted Manager III position due to the reorganization of department assignments. This position will serve as the County’s Liability and Insurance Manager. The Risk Management Division no longer has a Deputy Executive Officer acting as the Department Head. Based on a reorganization of duties, the Assistant Chief Executive Officer will oversee the Risk Management Division on a part-time basis and will require management support for each of the work units in Risk Management. The annual fiscal impact of this reclassification is approximately \$3,300, which can be funded by the salary savings resulting from the vacant Deputy Executive Officer position.

CHIEF EXECUTIVE OFFICE TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
CEO-Risk Management Division	1	10851	Confidential Assistant IV	Reclassify upward	Manager III-block budget

Summary of Recommendations: It is recommended the staffing change described and outlined in the table above be adopted.

CLERK RECORDER

Staffing Requests: The Department requested to complete a classification study for one Manager I position as part of the 2012-2013 Mid-Year Financial Report. A study has been completed and based on the job duties and responsibilities of this position, it is recommended to reclassify this position upward to a block-budgeted Manager II. The increase in salary costs of \$7,800 annually will be absorbed within the Department’s existing appropriations.

CLERK RECORDER TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Recorder Division	1	7929	Manager I	Reclassify upward	Manager II-block budget

Summary of Recommendations: It is recommended the staffing change described and outlined in the table above be adopted.

COUNTY COUNSEL

County Counsel is experiencing a significant shortfall in revenue due to the long-term absence of a senior attorney and less than expected billable hours from non-General Fund departments. The estimated revenue shortfall is approximately \$237,000 with an expectation that approximately \$211,000 in appropriation savings will offset most of the decrease resulting in an additional need of \$26,000 in General Fund contribution. It is possible a reduction to this additional need will occur through increased revenue or additional cost savings. Therefore, at this time, it is recommended to monitor the budget and make any necessary adjustments prior to year-end.

GENERAL SERVICES AGENCY

Fleet Services: The Department is requesting to decrease estimated revenue and increase the use of retained earnings by \$55,000. Due to a vacant Equipment Mechanic position there was a loss of approximately 504 billable hours. While this vacant position was filled in January 2014, the loss of billable hours has been difficult to make up. As of July 1, 2013, this fund had a retained earnings balance of \$892,594 and was approved to use \$63,169 in the 2013-2014 Adopted Final Budget.

Utilities: This is a pass through budget where utility bills are paid and charged out to user departments. Utilities are expected to come in higher than originally projected countywide and the Department is requesting an increase in estimated revenue and appropriations of \$175,000. Only actual expenses are billed to County departments.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Fleet	(\$55,000)	\$0	\$55,000	\$0	Reduction in revenue due to loss of billable hours of vacant mechanic position.
Utilities	\$175,000	\$175,000	\$0	\$0	Increased utility costs billed to user departments.
Total	\$120,000	\$175,000	\$55,000	\$0	

Summary of Recommendations: It is recommended to decrease estimated revenue by \$55,000 and increase use of retained earnings in Fleet Services. It is also recommended to increase appropriations and estimated revenue in the amount of \$175,000 for increased utility costs.

STRATEGIC BUSINESS TECHNOLOGY

Staffing Requests: The Department requested a classification study for one Software Developer/Analyst III position as part of the 2013-2014 Mid-Year Financial Report. A study has been completed and based on the job duties and responsibilities of this position, it is recommended to reclassify this position upward to a Senior Software Developer/Analyst. The increase in salary costs will be absorbed within the Department's existing appropriations.

STRATEGIC BUSINESS TECHNOLOGY TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Strategic Business Technology	1	856	Software Developer/Analyst III	Reclassify upward	Senior Software Developer/Analyst

Summary of Recommendations: It is recommended the staffing change described and outlined in the table above be adopted.