Third Quarter Financial Report
July 2019 – March 2020

Board of Supervisors
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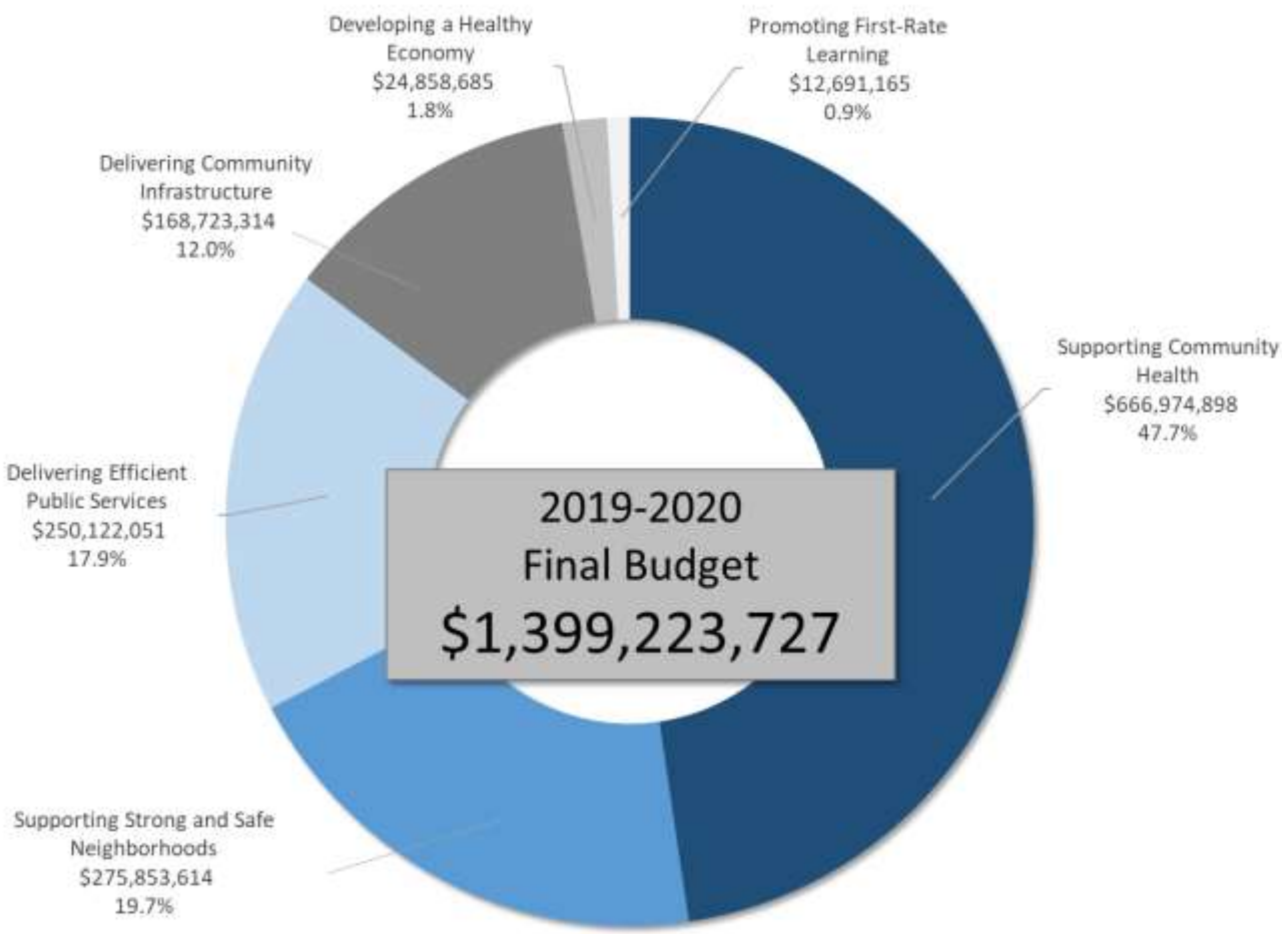
Introduction

This is the Fiscal Year 2019-2020 Third Quarter Financial Report for Stanislaus County submitted by the Chief Executive Office for the period of July 1, 2019 to March 31, 2020. It has been prepared to inform the Board of Supervisors, County leadership, and the public of the County's financial status. The report provides estimated revenue and expenditure summaries for County programs by each Board of Supervisors' priority area and highlights adjustments to County budgets since the adoption of the Final Budget in September 2019, which are necessary to end the year in a positive fiscal position.

Background

On September 17, 2019, the Board of Supervisors adopted the Fiscal Year 2019-2020 Final Budget for Stanislaus County. This $1.4 billion operational plan reflected an increase of $40.4 million, or 3%, over the 2018-2019 Adopted Final Budget. The 2019-2020 Adopted Final Budget was balanced using a combination of $1.3 billion in estimated revenue and $64.6 million in fund balance and one-time funding sources. It also included funding for 4,516 allocated full-time positions, an increase of 20 positions above the 2018-2019 Adopted Final Budget. The following chart reflects the total Adopted Final Budget Expenditures by the Board of Supervisors' priority areas:

Fiscal Year 2019-2020 Adopted Final Budget Expenditures by Board Priority

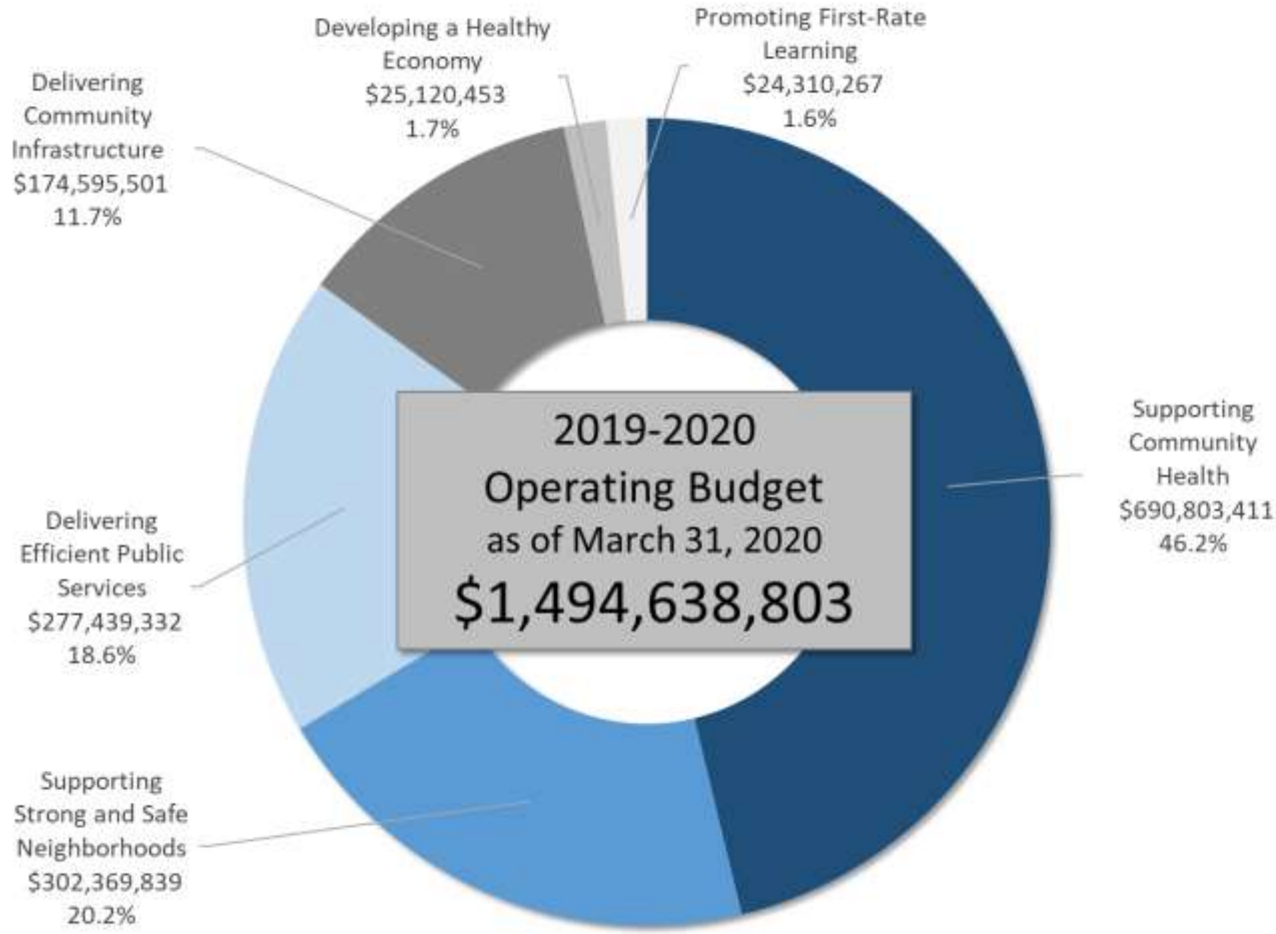


Summary of Budget Adjustments

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

Additionally, the Board of Supervisors approves budget adjustments identified in quarterly financial reports and separate departmental Board agenda items throughout the fiscal year. The sum of these adjustments through March 31, 2020, totals $95.4 million and includes $25 million in prior year appropriations carried forward and $70.4 million in budget adjustments approved by the Board of Supervisors in the current fiscal year. The following chart reflects the County's total Operating Budget of $1.5 billion as of March 31, 2020:

Fiscal Year 2019-2020 Operating Budget as of March 31, 2020 by Board Priority



2019-2020 Third Quarter Financial Report Overview

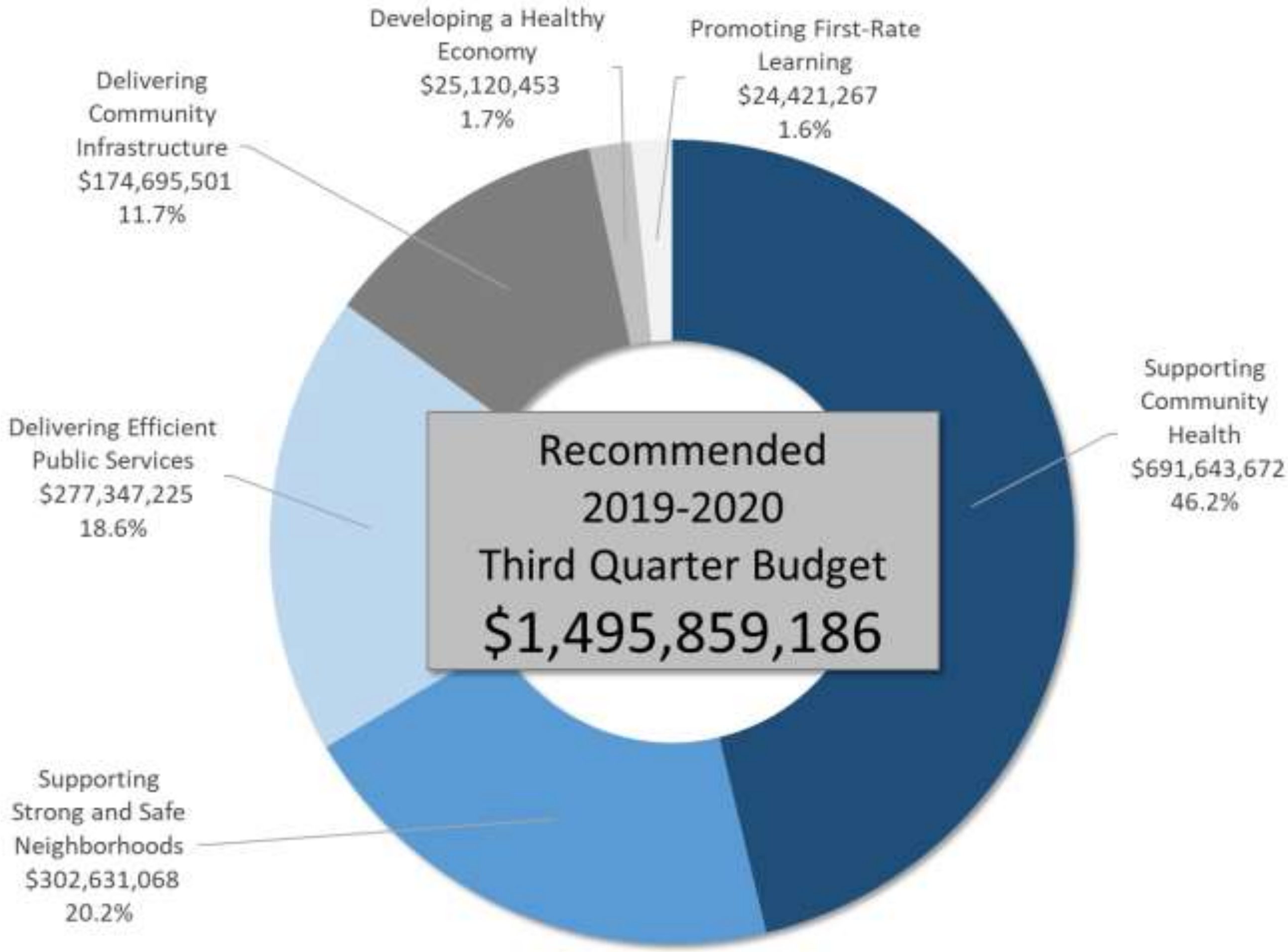
The 2019-2020 Third Quarter Financial Report serves as a fiscal review of departmental programs and includes recommended adjustments to ensure that all departments complete the fiscal year within their approved budgets. The report also includes a brief analysis on multi-year trends for both revenue and expenditures by Board priority area. Additionally, updates are provided on Discretionary Revenue and staffing vacancy rates for General Fund departments along with preliminary estimates on Net County Cost savings.

The recommendations presented in the Third Quarter Financial Report include a total decrease of $10.1 million in estimated revenue and a net $1.2 million in increased appropriations. Adoption of the recommendations contained in this report will result in an overall $11.3 million increase in the use of fund balance.

Third Quarter recommendations include a total increase in appropriations of approximately $1.5 million, offset by the use of $302,107 in transfers from Appropriations for Contingencies. These transfers will provide funding to the Public Defender for termination cash-outs, to Sheriff – Operations for vehicle purchases, and to CEO – General Fund Contribution to Other Programs to fund the cash-out of a long-term employee at Stanislaus Regional 911. The transfer of Appropriations for Contingencies requires a four-fifths vote by the Board of Supervisors. If approved, approximately $7.3 million in available funding will remain in Appropriations for Contingencies for use throughout the balance of Fiscal Year 2019-2020.

The Third Quarter Financial Report includes an increase of $840,261 for departments *Supporting Community Health,* $261,229 for departments *Supporting Strong and Safe Neighborhoods*, $111,000 for the Library, *Promoting First-Rate Learning*, $100,000 for departments *Delivering Community Infrastructure*, and a $92,107 decrease for departments *Delivering Efficient Public Services*. The following chart depicts the recommended Third Quarter Budget, organized by Board priority area:

Fiscal Year 2019-2020 Recommended Third Quarter Budget Expenditures by Board Priority



Consistent with standard accounting practices, the County's budget is divided into separate financial entities known as "funds". The following table provides a summary of recommended adjustments included in the Third Quarter Financial Report by fund type, showing the progression from the 2019-2020 Adopted Final Budget to the Recommended Third Quarter Budget:

Summary of Third Quarter Appropriation Adjustments by Fund Type

Fund Type	2019-2020 Adopted Final Budget	2019-2020 Third Quarter Operating Budget	2019-2020 Third Quarter Adjustments	Recommended 2019-2020 Third Quarter Budget
General Fund	$ 377,581,748	$ 409,490,905	$ 134,122	$ 409,625,027
Special Revenue	812,597,772	869,263,972	951,261	870,215,233
Capital Projects	731,000	773,694		773,694
Enterprise	84,847,591	88,153,777		88,153,777
Internal Service	123,465,616	126,956,455	135,000	127,091,455
Total	**$ 1,399,223,727**	**$ 1,494,638,803**	**$ 1,220,383**	**$ 1,495,859,186**

General Fund
The General Fund Recommended Third Quarter Budget for Fiscal Year 2019-2020 is $409.6 million, a net increase of $134,122 over the Third Quarter Operating Budget. This change represents an overall total increase of $436,229 in departmental adjustments offset by a $302,107 transfer from Appropriations for Contingencies.

Included in the increase is $151,107 for Public Defender to fund cash-outs, a net of $110,122 for Sheriff – Operations and Sheriff – Contract Cities related to vehicles, $100,000 for Parks and Recreation related to grant funding, and $75,000 for CEO – General Fund Contribution to Other Programs in support of cash-outs at Stanislaus Regional 911.

Special Revenue Funds
The Special Revenue Fund Recommended Third Quarter Budget for Fiscal Year 2019-2029 is $870.2 million, an increase of $951,261 from the current Operating Budget.

The recommended increases include $440,261 for Area Agency on Aging to support the costs of meals, administration and equipment, Fall Prevention Program, and COVID-19 related meals for seniors; $400,000 for Behavioral Health and Recovery Services - Alcohol and Drug Program to expand the CARE program with new grant funding; and $111,000 for the Library to support interest payments on Library expansion projects and pop-up programming funded by the "Lunch at the Library" grant.

Capital Projects Funds
The Capital Projects Fund Recommended Third Quarter Budget for Fiscal Year 2019-2020 totals $773,694. This figure is consistent with that budgeted in the current Operating Budget; there are no recommended adjustments at this time.

Enterprise Funds
The Enterprise Funds Recommended Third Quarter Budget for Fiscal Year 2019-2020 is $88.2 million, consistent with the 2019-2020 Third Quarter Operating Budget; there are no recommended adjustments.

Internal Service Funds
The Internal Service Funds Recommended Third Quarter Budget for Fiscal Year 2019-2020 is $127.1 million, an increase of $135,000 from the current Operating Budget in support of CEO - Workers' Compensation Self-Insurance benefit payments and settlement costs.

Overall Fund Balance
The beginning fund balance for all funds on July 1, 2019 was $550.6 million. The 2019-2020 Adopted Final Budget included the planned use of $64.6 million in fund balance. Adjusted to include prior year encumbrance carryovers and Board of Supervisors' actions approved through March 31, 2020, a total of $135 million in the use of fund balance is projected for all departments in the current Operating Budget.

The recommendations contained in the Third Quarter Financial Report include adjustments that will increase the use of fund balance by an overall $11.3 million. This includes the use of $11.2 million in the General Fund for decreases in Discretionary Revenue due primarily to estimated sales tax and Proposition 172 sales tax shortfalls, and $96,000 for the Library's first-year interest payment on the Tobacco Endowment loan.

Inclusive of the budget adjustments identified in this Third Quarter Financial Report, projected fund balance on June 30, 2020, is forecast to be $404.3 million across all funds. The following chart presents the beginning and projected year-end fund balance by fund type and in total:

Summary of Fund Balance by Fund Type

Fund Type	Beginning Fund Balance on 7/1/2019*	Operating Budget Revenue on 3/31/2020	Operating Budget Appropriations on 3/31/2020	Third Quarter Recommended Use of Fund Balance	Projected Fund Balance on 6/30/2020
General Fund	$ 220,647,261	$ 366,518,185	$ 409,490,905	$ 11,185,000	$ 166,489,541
Special Revenue Funds	234,121,116	804,211,667	869,263,972	96,000	168,972,811
Capital Projects Funds	3,857,287	579,039	773,694	-	3,662,632
Enterprise Funds	67,507,430	66,238,104	88,153,777	-	45,591,757
Internal Service Funds	24,473,121	122,082,823	126,956,455	-	19,599,489
Total All Funds	**$ 550,606,215**	**$ 1,359,629,818**	**$ 1,494,638,803**	**$ 11,281,000**	**$ 404,316,230**

**Note: The Final Budget document reported a total beginning fund balance of $529.7 million. Since that time, post-closing adjustments totaling $20.9 million have been posted for all funds which resulted in a revised beginning fund balance of $550.6 million, as depicted above. Significant post-closing adjustments included the reclassification of deferred revenue in the Special Revenue Funds, pension expenses for the Enterprise and Internal Service Funds associated with GASB 68; interest accruals and fair market value adjustments for all funds; increase in the Teeter Receivable in the General Fund; and increased Risk Management Liability amounts in the Internal Service Funds.*

Discretionary Revenue

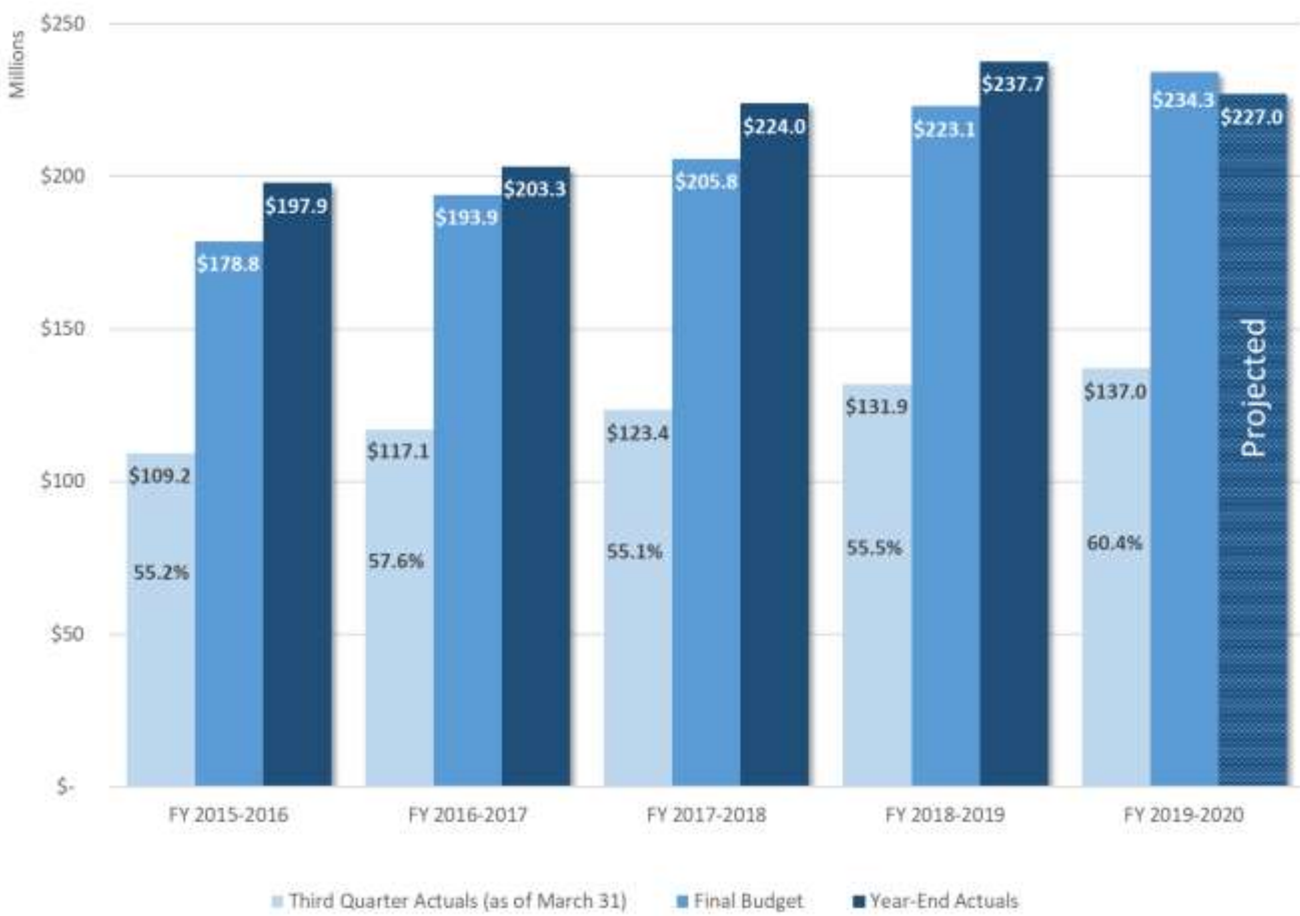
Discretionary Revenue

Discretionary Revenue refers to revenue received in the General Fund that is available to fund programs at the Board of Supervisors' discretion. Total Discretionary Revenue included in the 2019-2020 Adopted Final Budget was projected at $234.3 million and was adjusted using updated projections to $238.2 million in the Midyear Financial Report. As of March 31, 2020, approximately $137 million in revenue has been received, representing 58.5% of that projected in the Final Budget.

Over the past four years, Discretionary Revenue collected through third quarter ranged from 59.1% to 61.1% of the Final Budget projection, placing this year's receipts slightly below the historical range. Additionally, the four-year history shows that revenue realized through third quarter ranged from 55.1% to 57.6% of actual year-end total receipts. Revenue received through March represents 60.4% of the year-end estimate updated at third quarter. Due to the current economic crisis resulting from the COVID-19 pandemic, projections for the last quarter of the fiscal year are estimated to be much lower than historical receipts.

The following chart provides a five-year comparison of activity noted at third quarter, including current and previous years' data showing nine months of revenue receipts. The Adopted Final Budget and year-end actuals for the previous four years are also identified, with projections noted for Fiscal Year 2019-2020.

General Fund – Discretionary Revenue Five-Year Comparison



Third quarter analysis of Discretionary Revenue includes an evaluation of year-to-date data using nine months of receipts along with projections using historical trends and analysis from outside consultants. Updated year-end projections reflect the impacts of COVID-19 in most of the revenue categories.

Taxes

The Taxes revenue category identifies revenue provided to government that is received in support of local services and includes taxes levied upon property, sales and use, and occupancy. Projections total $166.4 million, which represents a decrease of $4.2 million in this category.

Sales and use tax will be greatly affected by COVID-19 in the last quarter of the fiscal year. The stay-at-home order that was enacted in March is estimated to continue through the end of May 2020. For the last quarter of Fiscal Year 2019-2020, the projected Statewide sales tax decrease is 36.1% from the prior year. In addition, actions by the California Department of Tax and Fee Administration (CDTFA) will allow businesses to delay payment of taxes into Fiscal Year 2020-2021, estimated at approximately $1.1 million for Stanislaus County. In total, sales and use tax revenue is projected to decrease by 15% below actual receipts in FY 2018-2019, or nearly $3.3 million.

The stay-at-home order has affected other industries, including hospitality and real estate. Assumptions for occupancy tax and property transfer tax reflect the receipt of very little revenue in the last quarter of the fiscal year. A net revenue reduction of nearly $1 million is recommended for these two sources.

There is no recommended adjustment for property tax accounts in this category because most of the revenue is apportioned based upon the Teeter Plan. Under the Teeter Plan method, counties allocate property tax revenues based on the total amount of property taxes billed but not yet collected. The County "finances" the property tax receipts for local agencies by advancing revenue to each taxing jurisdiction and in exchange, the County receives the penalty and interest on the delinquent taxes after collected. It is anticipated the Treasurer-Tax Collector will be asked to waive penalty/interest for many property fines due to impacts of COVID-19. As a result, reductions in penalties for late payments are anticipated, and described below.

Fines, Forfeitures, and Penalties

This revenue is derived from fines, fees, and penalties collected on delinquent property taxes. The events associated with COVID-19 have caused some property owners to be unable to pay their property taxes on time. The Treasurer-Tax Collector has the authority to waive penalties associated with the late payments of taxes associated with this pandemic. The current receipts through March total $1.1 million, and it is anticipated that very little additional revenue will be received through the end of the fiscal year. The 2019-2020 Midyear Budget totaled $2.5 million, so a reduction of $1.4 million in Fiscal Year 2019-2020 is recommended for this category.

Revenue from Use of Money

Interest earned on General Fund pooled cash in the Treasury makes up most of the revenue in this category. Due to declining interest rates resulting from the COVID-19 pandemic, it is anticipated that interest revenue will decrease by approximately $700,000 in the last quarter. The Midyear Budget included $8 million of anticipated interest revenue and is now projected at $7.3 million.

Intergovernmental Revenue

Intergovernmental Revenue includes Federal, State, and other local governmental funding sources in the form of grants, shared revenues, and payments in-lieu-of taxes. The largest source of revenue in this category is Proposition 172 – public safety sales tax, estimated at $47.4 million in the Midyear Financial Report. Due to COVID-19 impacts, the estimated revenue for Prop 172 is $42.5 million, a decrease of 9% below actual receipts in FY 2018-2019, or nearly $4.9 million at third quarter.

The following chart summarizes third quarter Discretionary Revenue projections of $227 million for Fiscal Year 2019-2020, a decrease of $11.2 million from the current Operating Budget.

Discretionary Revenue Third Quarter Projections

Discretionary Revenue Category	Fiscal Year 2018-2019 Actuals	Fiscal Year 2019-2020 Final Budget	Fiscal Year 2019-2020 Operating Budget*	Third Quarter 2019-2020 Projections	Third Quarter 2019-2020 Adjustments
Taxes	$ 164,389,689	$ 169,620,000	$ 170,620,000	$ 166,380,000	$ (4,240,000)
Licenses, Permits, and Franchises	1,021,043	1,054,000	1,054,000	1,054,000	-
Fines, Forfeitures, and Penalties	2,247,498	2,700,000	2,500,000	1,100,000	(1,400,000)
Revenue from the Use of Money	10,945,440	6,502,000	8,202,000	7,502,000	(700,000)
Intergovernmental Revenue	49,199,652	48,640,000	49,640,000	44,795,000	(4,845,000)
Charges for Services	3,099,555	2,588,000	2,588,000	2,588,000	-
Miscellaneous Revenue	193,305	-	-	-	-
Other Financing Sources	6,620,094	3,195,000	3,595,000	3,595,000	-
Total Discretionary Revenue	**$ 237,716,276**	**$ 234,299,000**	**$ 238,199,000**	**$ 227,014,000**	**$ (11,185,000)**

* As of March 31, 2020

Recommendation: It is recommended to reduce Discretionary Revenue by $11.2 million, which will decrease fund balance in the General Fund by the same amount.

Net County Cost Savings

In year two of the two-year budget, all Net County Cost savings is absorbed by the General Fund at year-end. Projections as of March 2020 resulted in a potential savings of $8.6 million which included savings or increased revenue in General Fund and County Match departments. Due to the COVID-19 economic impacts, however, this savings may not materialize. Staff will monitor operating costs and revenue receipts continuously through fiscal year-end, and report to the Board of Supervisors in June 2020, with updated projections.

Vacancy Rates

All General Fund departments participated in the zero-base budget process at the beginning of Fiscal Year 2018-2019, wherein they identified their funded service level for operational costs, including all allocated staffing positions. In years past, a reduction using a 5% vacancy factor has been applied to departments containing 30 or more allocated positions based on historical analysis showing that County departments experience an average 8% vacancy rate. The vacancy factor was eliminated from the base budget calculation for the Fiscal Years 2018-2019/2019-2020 two-year budget process and General Fund departments received sufficient appropriations and funding to cover all staffing costs in the 2019-2020 Adopted Proposed Budget.

At 2019-2020 Third Quarter, actual fiscal year-to-date vacancy rates for General Fund departments averaged 7.4%. The following table identifies the nine-month average for all allocated positions, the number of vacant positions, and the resulting calculated average vacancy rate for each General Fund department and division using data from July 1, 2019 through March 1, 2020:

	9-Month Average		
General Fund Department	Allocated Positions	Vacant Positions	9-Month Vacancy Rate
Aging & Veterans Services - Veterans Services	6	1	11.1%
Agricultural Commissioner	40	2	5.6%
Assessor	58	2	2.6%
Auditor Controller	40	4	10.5%
Board of Supervisors	10	1	13.9%
Chief Executive Office - OES / Fire Warden	8	1	6.8%
Chief Executive Office - Operations and Services	56	3	4.8%
Chief Executive Office - Risk Management	13	0	1.7%
Clerk - Recorder - Elections Division	14	3	18.3%
Clerk - Recorder Division	34	3	9.5%
Cooperative Extension	5	0	0.0%
County Counsel	16	2	13.2%
District Attorney - Criminal Division	133	17	12.8%
Parks & Recreation	53	8	15.7%
Planning & Community Development - Planning	18	1	4.3%
Probation - Administration	23	2	9.8%
Probation - Community Corrections Partner	32	5	17.0%
Probation - Field Services	111	7	6.7%
Probation - Institutional Services	54	5	9.1%
Probation - Juvenile Commitment Facility	31	5	14.5%
Public Defender	51	1	2.4%
Sheriff - Administration	85	5	6.2%
Sheriff - Adult Detention	80	6	7.1%
Sheriff - Contract Cities	70	2	2.5%
Sheriff - Detention	277	13	4.7%
Sheriff - Operations	175	12	6.9%
Treasurer - Administration / Taxes	11	0	1.9%
General Fund Department Totals	**1504**	**111.3**	**7.4%**

The vacancy rate is calculated for each department/division consistently by using data pulled from the allocation report in PeopleSoft on the first day of each month and dividing the generated total number of vacant positions by the generated total allocated positions for the period of July 2019 through March 2020. The cumulative vacancy rate is the total of each of these figures divided by nine months of data.

Supporting Strong and Safe Neighborhoods

CEO – Capital Projects
CEO – County Operations
CEO – Office of Emergency Services/Fire Warden
District Attorney
Grand Jury
Integrated Criminal Justice Information System
Probation
Public Defender
Sheriff

Supporting strong and safe neighborhoods for individuals and families to thrive

Priority Overview

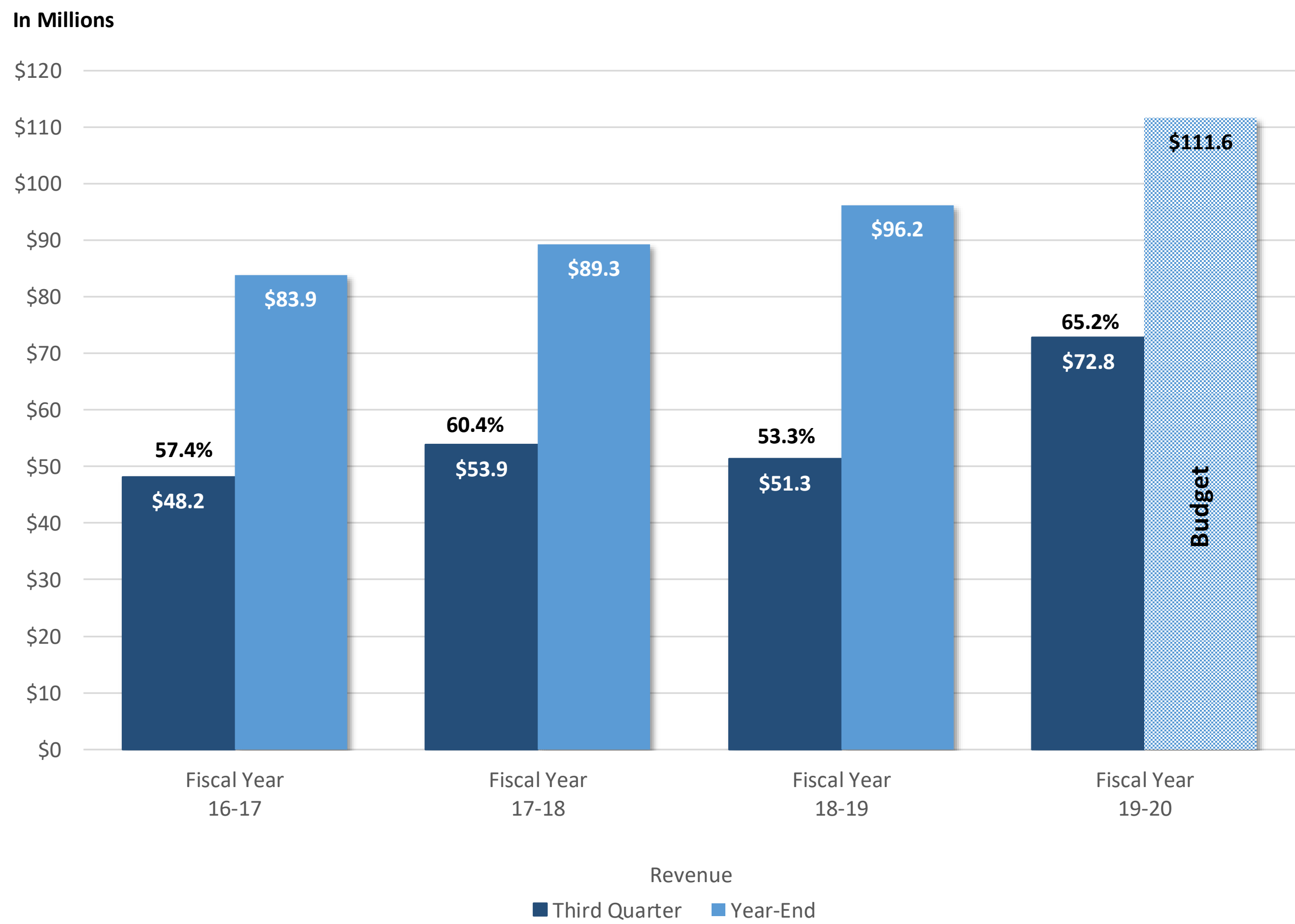
Ensuring a safe community and protecting the safety of the residents of Stanislaus County continues to be a top priority for the Board of Supervisors. Departments assigned to the Board of Supervisors' priority area of *Supporting Strong and Safe Neighborhoods* include: Chief Executive Office - Office 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.

Overall, exclusive of the COIVD-19 response the departments within the priority *Supporting Strong and Safe Neighborhoods* are on track to end the year within budget and in a positive fiscal position. Note the financial exposure to departments both increased costs and possibly lost revenue from the impact of COVID-19 will be reported and/or recommended for adjustment prior to fiscal year-end.

Departmental Revenue

For the departmental budgets that are part of the Board of Supervisors' priority area of *Supporting Strong and Safe Neighborhoods* as of March 31, 2020, actual revenue collected is $72.8 million, which represents 65.2% of the estimated annual revenue. This is significantly higher than the range when compared to the third quarter point of the prior three years when collections ranged from 53.3% to 60.4% of the final actual revenue. This is due to earlier posting of Community Corrections Plan revenue to departments that are scheduled to receive it. In addition, the Office of Emergency Services received a one-time funding grant of $12.4 million from the California Budget Act of 2019 AB 109 for emergency communications equipment and infrastructure through CalOES.

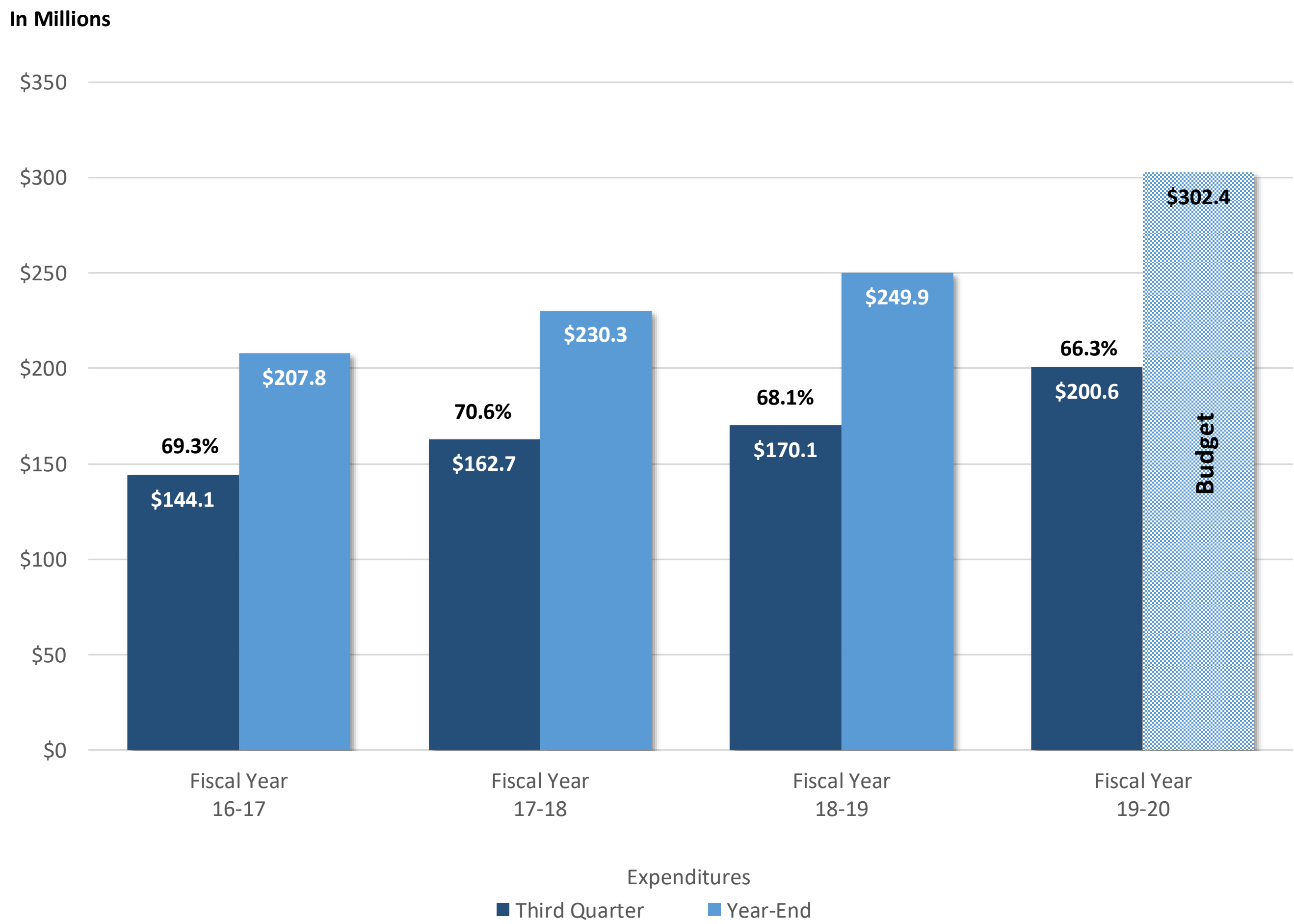
Supporting Strong and Safe Neighborhoods Four-Year Revenue Comparison



Departmental Expenditures

As of March 31, 2020, expenditures are $200.6 million, representing 66.3% of the budgeted appropriations. This is below the range when compared to the third quarter point of the prior three years when expenditures ranged from 68.1% to 70.6% of the final actual expenditures. This is primarily due to the performance visioning carryover savings program which added appropriations to General Fund department budgets. PVCS increased appropriations by $6.8 million in the *Supporting Strong and Safe Neighborhoods* Priority departments.

Supporting Strong and Safe Neighborhoods Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for *Supporting Strong and Safe Neighborhoods* will increase appropriations by $261,229. The budget adjustments are funded by $34,122 in department revenue and $227,107 in General Fund Contribution.

Public Defender

A one-time increase of $151,107 in appropriations is recommended to support unanticipated termination cash outs in the Public Defender budget. This includes those that are known to have occurred as of March 2020 and those projected to occur during the balance of Fiscal Year 2019-2020.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
Public Defender	$0	$151,107	$0	$151,107	Increase appropriations to cover unanticipated termination cash out costs, funded by an increase in Net County Cost.
Total	**$0**	**$151,107**	**$0**	**$151,107**	

Recommendation: It is recommended to increase appropriations in Salaries and Benefits by $151,107, funded by Net County Cost.

Sheriff

The Fiscal Year 2019-2020 Adopted Budget included $75,000 for the estimated replacement cost of a Dive Team truck. During vehicle procurement, there were elements identified as missing from the original estimate and the vehicle estimate has been adjusted to $100,000. An increase of $25,000 is recommended to support the successful replacement of this Department vehicle.

The Department received insurance payment proceeds for two patrol vehicles that were totaled in vehicular accidents. An increase of $85,122 in estimated revenue and appropriations is recommended to support replacement costs of the two totaled vehicles.

Due to the current COVID-19 emergency situation in Stanislaus County, there is a need to have mobile command posts available for use throughout the County. The County currently has a very large, stationary command post which is not mobile and can only be used in certain locations. The mobile command posts will allow the Sheriff to be prepared to respond in times of crisis not only for law enforcement needs but will also be able to transport people and deliver medical supplies to residents. The Special Investigations Unit (SIU) will be tasked with handling all law enforcement related incidents in the unincorporated area of Stanislaus County and will need a command post structure but in a smaller, more mobilized way. As a result, a transfer of $150,000 in appropriations from Services and Supplies to Fixed Assets is recommended for the purchase of two Sprinter vans to be used for the COVID-19 emergency response, and for future mobile command post needs.

The Fiscal Year 2019-2020 Adopted Budget included $51,000 in the Contract Cities budget for a replacement vehicle. The vehicle was subsequently found to belong in the Department Operations budget. A correction is recommended to support the replacement purchase of this vehicle. This requires a reduction to estimated revenue and appropriations of $51,000 from the Contract Cities budget and an equal increase in the Operations budget.

Budget Unit Name	Recommended Budget Adjustment: Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Operations	$0	$25,000	$0	$25,000	Increase appropriations in Fixed Assets for additional vehicle costs of Dive Team truck replacement.
Operations	$85,122	$85,122	$0	$0	Increase appropriations in Fixed Assets and estimated revenue for vehicle and equipment replacement using insurance proceeds received for two totaled patrol vehicles.
Operations	$0	$51,000	$0	$51,000	Increase appropriations in Fixed Assets for vehicle replacement costs previously budgeted incorrectly in the Contract Cities budget.
Operations	$0	($150,000)	$0	($150,000)	Transfer appropriations from Services and Supplies to Fixed Assets for the purchase of two sprinter vans to be used for the COVID-19 emergency response. Appropriations transfer is pending rightsizing in fourth quarter agenda item for year-end budget adjustments.
Operations	$0	$150,000	$0	$150,000	Transfer appropriations to Fixed Assets from Services and Supplies for the purchase of two sprinter vans to be used for the COVID-19 emergency response. Appropriations transfer is pending rightsizing in fourth quarter agenda item for year-end budget adjustments.
Contract Cities	($51,000)	($51,000)	$0	$0	Decrease appropriations in Fixed Assets and estimated revenue for vehicle replacement costs that were previously budgeted incorrectly in the Contract Cities budget.
Total	**$34,122**	**$110,122**	**$0**	**$76,000**	

Recommendation: It is recommended to increase appropriations by $110,122 in the Sheriff budget, funded by department estimated revenue of $34,122 and $76,000 in Net County Cost.

It is also recommended the Department be allowed transferability among the Sheriff budgets of Administration, Detention, Adult Detention Expansion, and Operations as needed, to direct Net County Cost funding and end the fiscal year in a positive position.

Supporting Community Health

Aging and Veterans Services
Behavioral Health and Recovery Services
CEO – Stanislaus Veterans Center
Child Support Services
Children and Families Commission
Community Services Agency
Health Services Agency

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

Priority Overview

Supporting Community Health is vital to the quality of life for County residents. The departments within this Board of Supervisors' priority area focus on protecting and promoting the physical health and safety of County residents and addressing social problems that include homelessness, incarceration, and fragmented families, assisting with the financial and emotional needs of those in crisis. An emphasis on prevention helps department staff to improve the quality of life for those served and allows staff to reach a broader population.

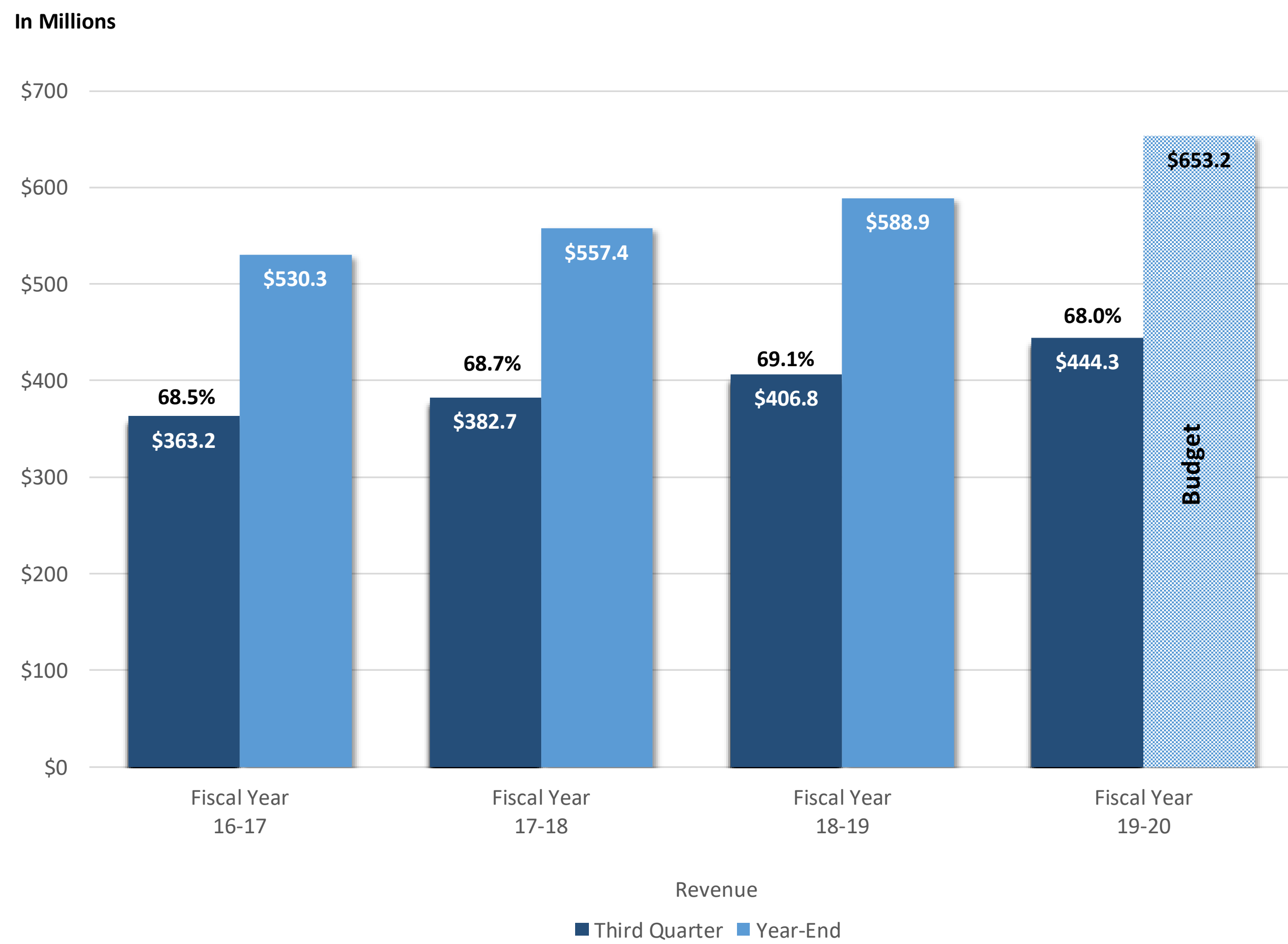
The departments assigned to this priority area include Aging and Veterans Services, Behavioral Health and Recovery Services, Chief Executive Office – Stanislaus Veterans Center, Child Support Services, Children and Families Commission, Community Services Agency, and Health Services Agency. The major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

The departments within the priority *Supporting Community Health* are clearly monitoring costs and revenue in light of any COVID-19 related impacts to ensure they remain within budget and end the year in a positive fiscal position.

Departmental Revenue

For the departmental budgets that are part of the priority *Supporting Community Health*, actual revenue received as of March 31, 2020, totals $444.3 million, which represents 68% of the estimated annual revenue. This is slightly below the range when compared to third quarter of the prior three years when collections ranged from 68.5% to 69.1% of actual revenue received through year-end. Revenue is earned in the Health and Human Services programs through the claiming of allowable and reimbursable expenditures. Revenue is trending slightly lower during the first nine months of the year due to reductions in Realignment revenue and a change in accounting practice that recognizes 2011 Realignment revenue when received and not when earned, increasing the use of departmental fund balance and decreasing revenue in the current year. Revenue projections will be closely monitored through year-end due to the impacts caused by the COVID-19 pandemic.

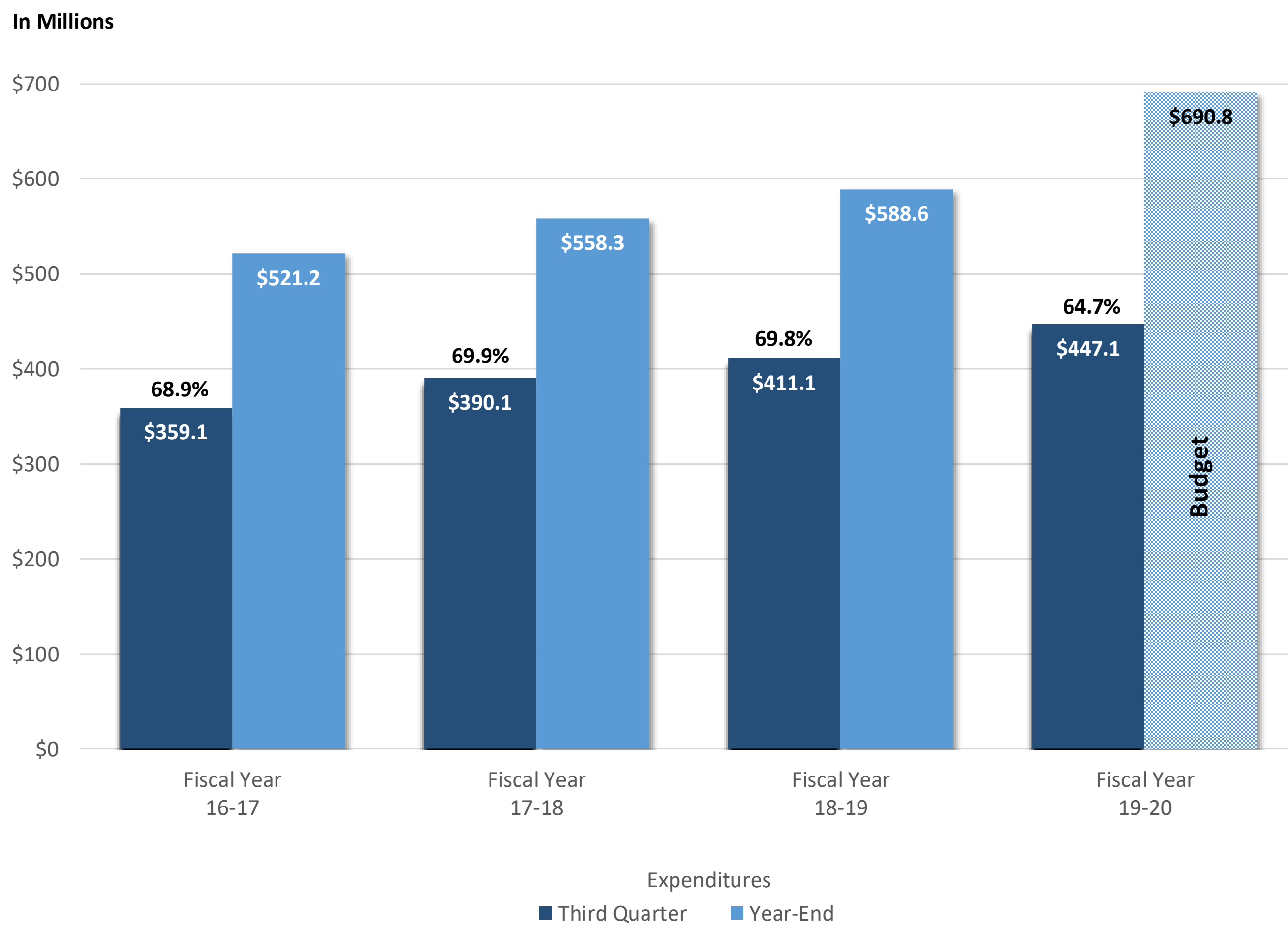
Supporting Community Health Four-Year Revenue Comparison



Departmental Expenditures

As of March 31, 2020, expenditures in this priority area totaled $447.1 million, representing 64.7% of the budgeted appropriations. Actual expenditures identified at the third quarter of the previous three years represented a range of 68.9% to 69.9% of annual expenditures, placing this year's rate of expenditures below the historical range. This is primarily due to the fact this year's rate is compared to legal budget and prior years' rates are calculated using fiscal year actuals. On average, year-end actuals amount to 92% of the legal budget at third quarter. Adjusting for this historical pattern, this year's rate falls at the high end of the prior three-year trend. Expenditure projections will be closely monitored through year-end due to the impacts caused by the COVID-19 pandemic.

Supporting Community Health Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for *Supporting Community Health* will increase appropriations by $840,261, funded by an increase of $840,261 in revenue.

Aging and Veterans Services

The Area Agency on Aging has received $415,261 in additional Federal Older Americans Act (OAA) funding along with a contribution of $25,000 from the Stanislaus Community Foundation for a total increase in revenue of $440,261, with an equal increase to appropriations in order to utilize these funds for a variety of purposes. The Federal OAA has supplied $161,194 in a baseline Nutrition Augmentation to provide additional meals to seniors. One-time funding in the amount of $110,317 will assist with administration and equipment costs for various programs within the division. Additionally, $143,750 will fund the new Fall Prevention Program, providing information and education about injury prevention, referrals, in-home assessments, and installation of appropriate equipment or required home modifications to older adults to prevent falls in their homes.

The Stanislaus Community Foundation has provided a $25,000 contribution to serve meals to seniors who are self-isolating due to COVID-19. This contribution will allow the division to meet this critical need in the community.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Area Agency on Aging	$440,261	$440,261	$0	$0	Increase revenue and appropriations with $161,194 in Nutrition Augmentation to provide additional meals, $143,750 for the new Fall Prevention Program, $110,317 in one-time funding for various program administration/ equipment costs, and $25,000 in a Stanislaus Community Foundation donation to serve meals to seniors self-isolating due to COVID-19.
Total	**$440,261**	**$440,261**	**$0**	**$0**	

Recommendation: It is recommended to increase revenue and appropriations by $440,261 in the Area Agency on Aging budget.

Behavioral Health and Recovery Services

A technical adjustment of $176,460 is recommended, transferring appropriations from Salaries and Benefits to Services and Supplies and Fixed Assets along with $23,500 between fixed asset categories (cars to computer software) within the Alcohol and Drug Program to purchase narcotic treatment program dispensing software from Netsmart. This software will provide enhanced services to those in the community affected by the opioid epidemic, offering additional medications in support of a new treatment model while bringing the Department into compliance with the mandates established by the Drug Medi-Cal Organized Delivery System Waiver.

An increase of $400,000 in appropriations and revenue is recommended, supported by a new Comprehensive Opioid Abuse Site-based Program (COAP) grant. The grant will expand the current CARE Program through contracted services, as needed, to identify, respond to, treat and support those impacted by the opioid epidemic. The COAP grant is a Federal grant funded by the U.S. Department of Justice (DOJ) Office of Justice Programs (OJP) and the Bureau of Justice Assistance (BJA). The Department was awarded $1.2 million over a three-year period; the remaining funds will be included in future budget cycles.

A technical adjustment of $200,000 is recommended, transferring appropriations into Fixed Assets from Services and Supplies to purchase technological needs to advance the Department’s data warehouse expansion project. This project is necessary to provide the additional server space and bandwidth needed to increase the stability and security of the Department’s data and connectivity, improving operational outcomes, and providing a positive impact to the entire Department. This project will be funded with Mental Health Services Act funds already appropriated in the current year.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
BHRS - Alcohol and Drug Program	$0	($176,460)	($176,460)	$0	Transfer appropriations from Salaries and Benefits to Services and Supplies and Fixed Assets to purchase Netsmart software.
BHRS - Alcohol and Drug Program	$0	$176,460	$176,460	$0	Transfer appropriations into Services and Supplies and Fixed Assets from Salaries and Benefits to purchase Netsmart software.
BHRS - Alcohol and Drug Program	$0	($23,500)	($23,500)	$0	Transfer appropriations between Fixed Assets categories (from Cars to Computer Software) to purchase Netsmart software.
BHRS - Alcohol and Drug Program	$0	$23,500	$23,500	$0	Transfer appropriations between Fixed Assets categories (to Computer Software from Cars) to purchase Netsmart software.
BHRS - Alcohol and Drug Program	$400,000	$400,000	$0	$0	Increase estimated revenue and appropriations to expand CARE program with new COAP grant funding.
BHRS - Mental Health Services Act (MHSA)	$0	($200,000)	($200,000)	$0	Transfer appropriations from Services and Supplies to Fixed Assets to purchase technological needs.
BHRS - Mental Health Services Act (MHSA)	$0	$200,000	$200,000	$0	Transfer appropriations into Fixed Assets from Services and Supplies to purchase technological needs.
Total	**$400,000**	**$400,000**	**$0**	**$0**	

Recommendation: It is recommended to increase revenue and appropriations by $400,000.

Developing a Healthy Economy

Agricultural Commissioner
CEO-Economic Development Bank
UC Cooperative Extension
Workforce Development

Developing a healthy economy, building upon our strong agricultural foundation

Priority Overview

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

The Board of Supervisors' priority area of *Developing a Healthy Economy*, building upon our strong agricultural foundation, recognizes the vital role of the County's number-one industry, agriculture, valued at $3.6 billion in 2018. Agriculture and its related industries account for $7.1 billion in our local economy or $19.58 million per day.[1] Farmland conversion, air pollution, soil salinity and drainage, agricultural water supply and water quality, and preservation of the County's unique agriculture heritage are key aspects of *Developing a Healthy Economy*.

Funding for these County budgets come from several sources including State and Federal funding, fees and charges for services, grants and the General Fund

The Agricultural Commissioner receives State funding for several programs, charges for specific services and receives some funding from the County General Fund. Cooperative Extension's University of California advisors are funded through the University of California system while the County provides administrative staff, infrastructure and operational support. The Workforce Development Department's major funding source is Federal funds (Workforce Innovation and Opportunity Act).

The departments within the priority *Developing a Healthy Economy* are clearly monitoring costs and revenue in light of any COVID-19 related impacts to ensure they remain within budget and end the year in a positive fiscal position.

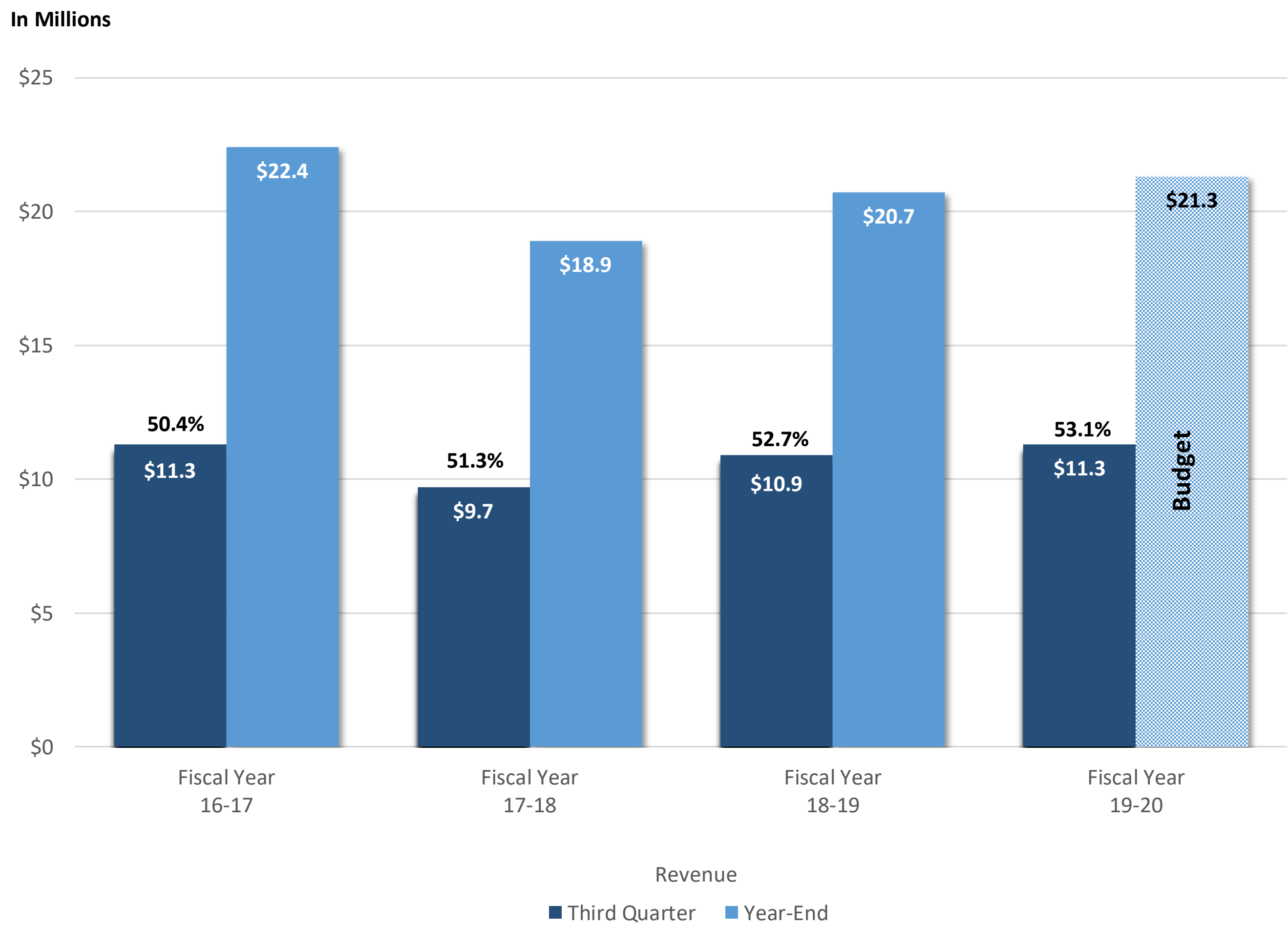
[1] http://www.stanag.org/pdf/cropreport/cropreportplus2018.pdf

Departmental Revenue

For the department budgets that are part of the Board of Supervisors' priority area of *Developing a Healthy Economy* as of March 31, 2020, actual revenue collected totaled $11.3 million, which represents 53.1% of the estimated annual revenue. This is slightly above the range when compared to the third quarter of the prior three years when collections were 50.4% to 52.7% of the final actual revenue.

The slight increase in the percentage of revenue collected is due to Workforce Development generating additional revenue as a result of increases for Paid Work Experience participants, the Summer Youth Program, and the Downtown Streets Team contract. All of Workforce Development revenues are expenditure driven, therefore, increases in programs and program participation result in increased revenue.

Developing a Healthy Economy Four-Year Revenue Comparison

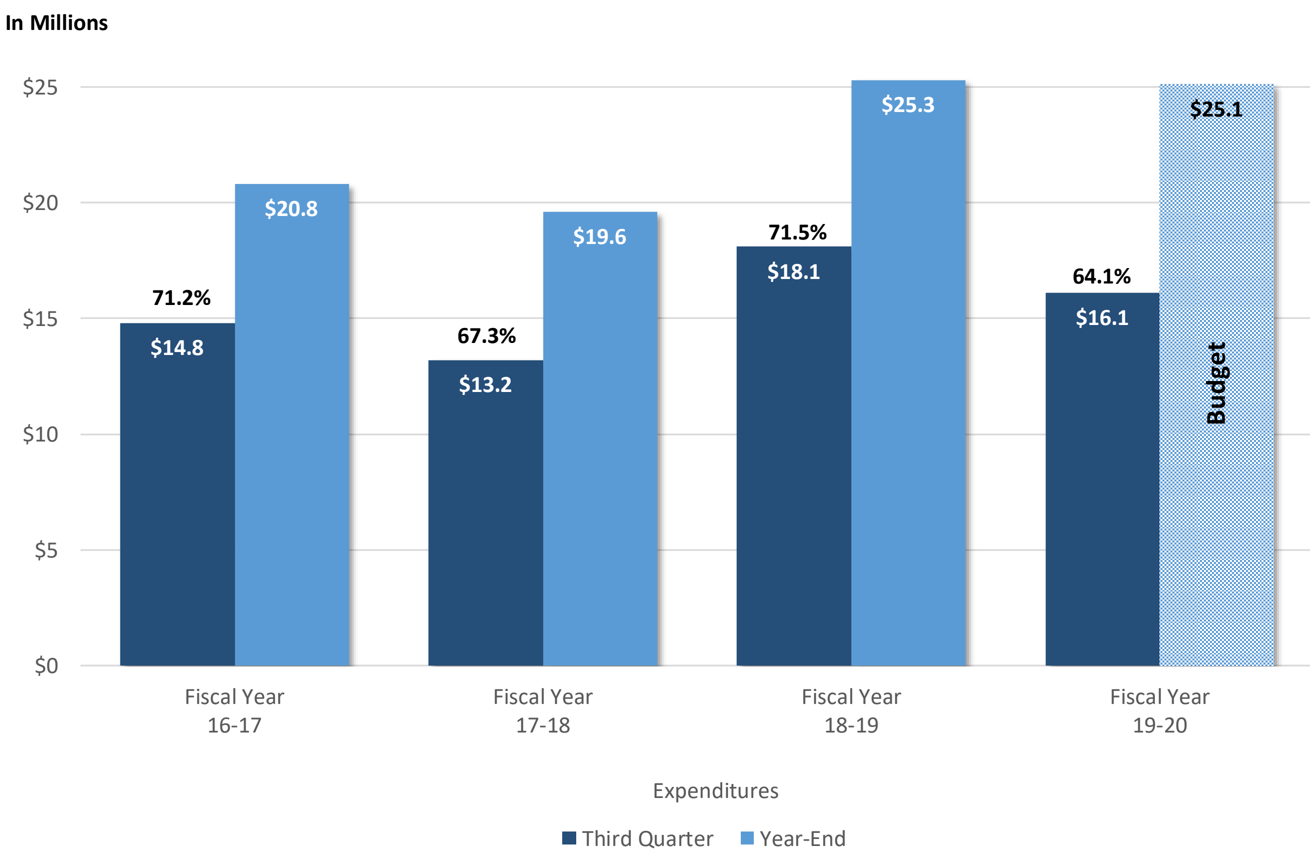


Departmental Expenditures

As of March 31, 2020, expenditures in this Board priority totaled $16.1 million, representing 64.1% of the budgeted appropriations. This is below the range when compared to third quarter of the prior three years when expenditures were 67.3% to 71.5% of the final actual expenditures.

The reduction in percentage of expenditures is due to a $2.9 million one-time transfer of funds from the CEO-Economic Development Bank to the CEO-Crows Landing Air Facility for costs associated with the Crows Landing Industrial Business Park (CLIBP) in Fiscal Year 2018-2019.

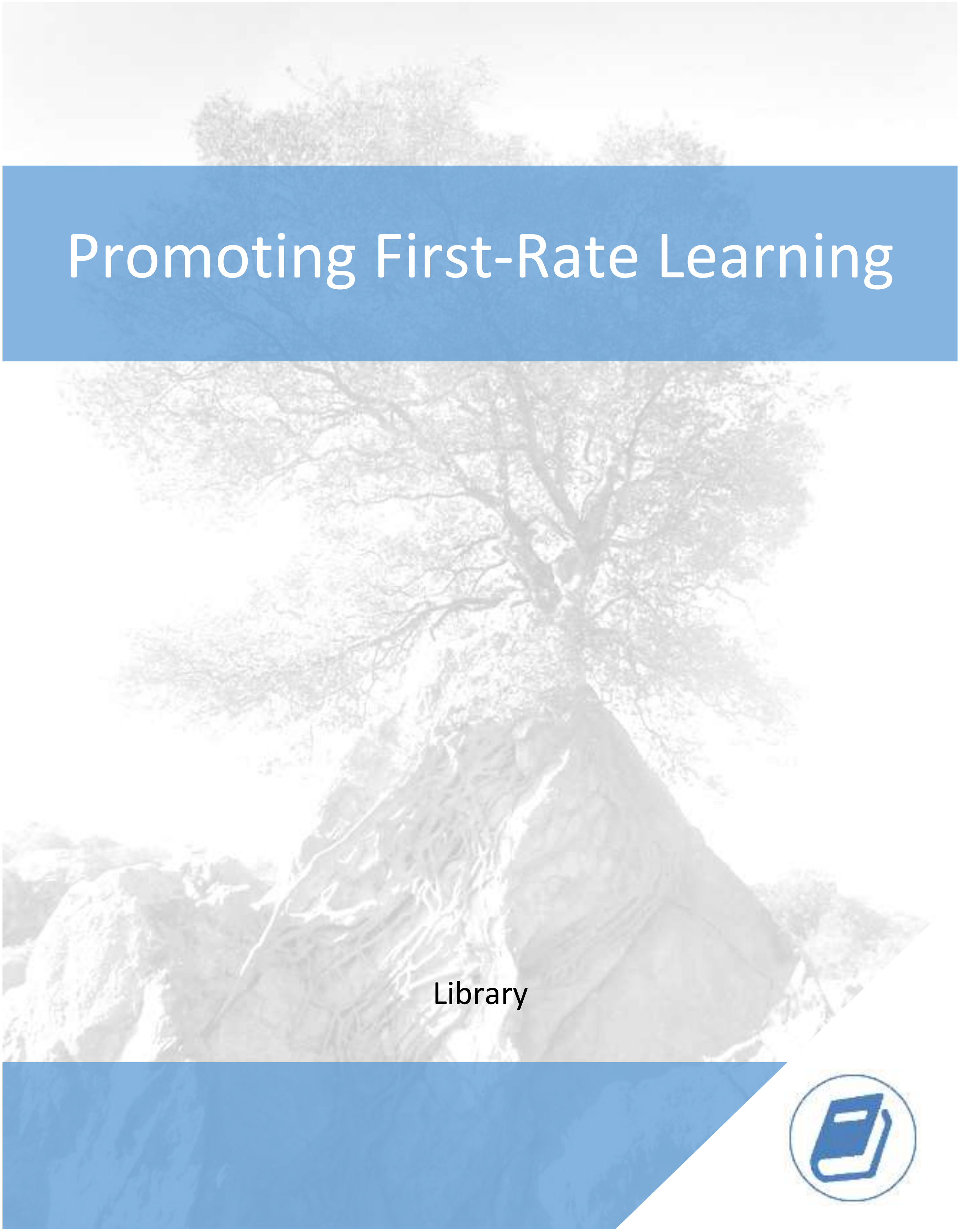
Developing a Healthy Economy Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

There are no recommended adjustments for this priority area.

Promoting First-Rate Learning



Library

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

Priority Overview

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

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

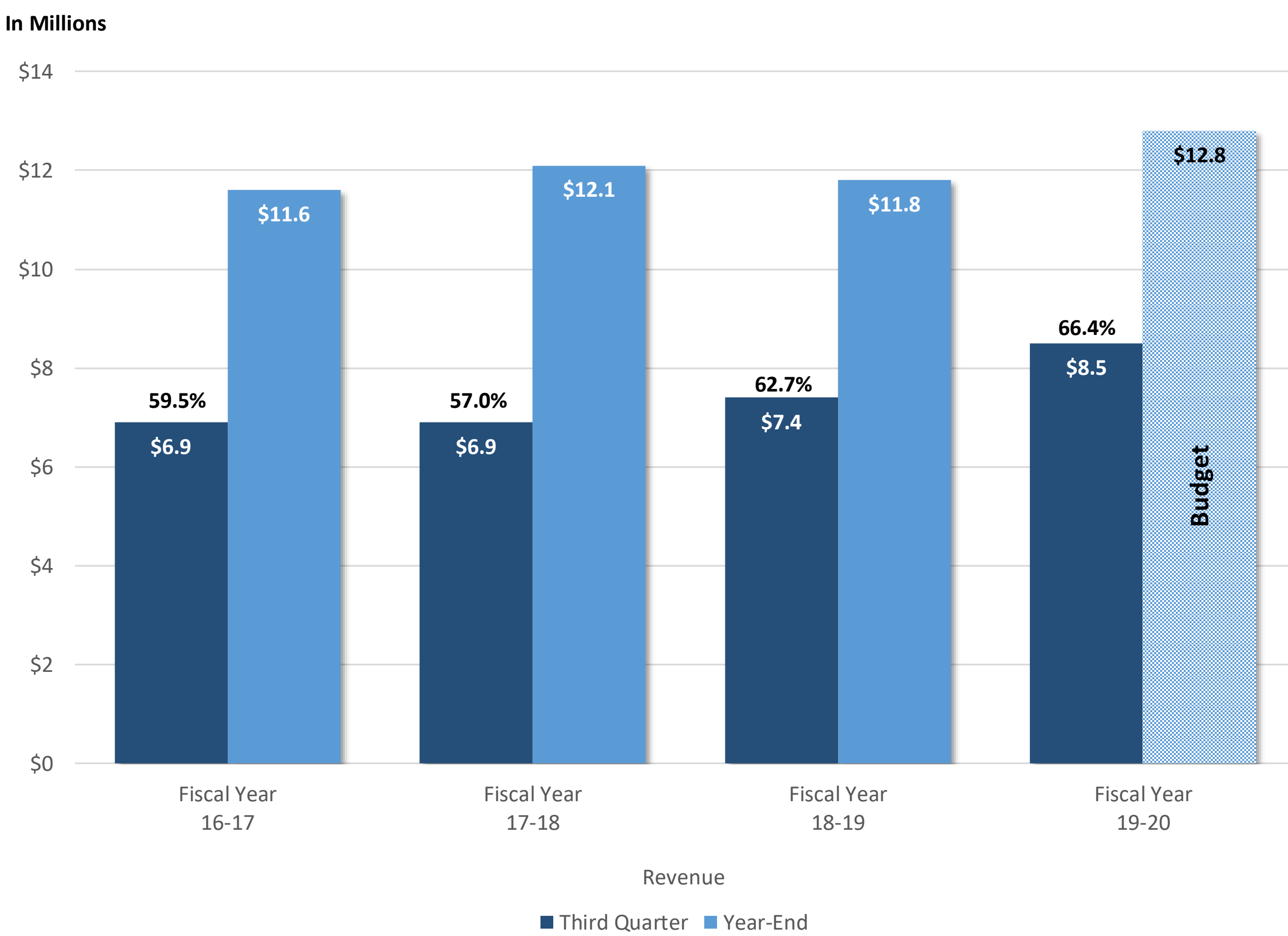
The Library is primarily funded by a voter approved 1/8-cent sales tax, which represents approximately 88% of the Library's total estimated revenue to support the Library operations in Fiscal Year 2019-2020. The voter approved 1/8-cent sales tax was extended for 12 years when Measure S passed in the November 7, 2017 election.

The Library is clearly monitoring costs and revenue in light of any COVID-19 related impacts to ensure they remain within budget and end the year in a positive fiscal position.

Departmental Revenue

For the department budget that is part of the Board of Supervisors' priority area of *Promoting First-Rate Learning* as of March 31, 2020, actual revenue collected is $8.5 million, which represents 66.4% of the estimated annual revenue. This is above the range when compared to third quarter of the prior three years when collections were 57% to 62.7% of the final actual revenue. Revenue collected is above the three-year range due to sales tax revenue and donations coming in higher than anticipated. Sales tax revenue is approximately $900,000 higher than estimated as a result of the strong economy experienced in the first eight months of the fiscal year. However, the impact of the COVID-19 pandemic is anticipated to reduce sales tax revenue in the months of May through June 2020, resulting in a 15% decrease from prior year sales tax receipts. Finally, revenue from donations is nearly $300,000 higher than anticipated due in large part to a $224,000 estate donation.

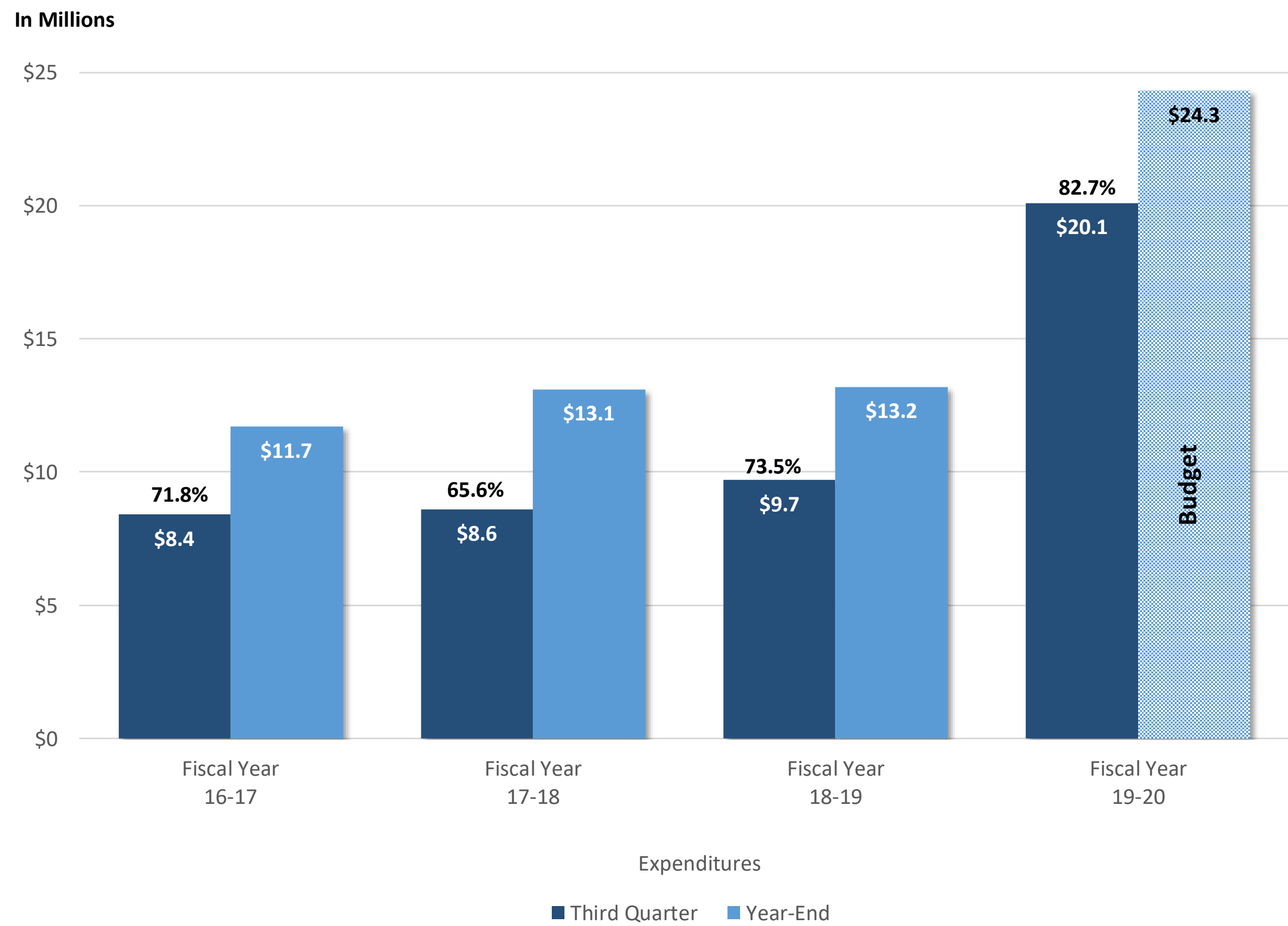
Promoting First-Rate Learning Four-Year Revenue Comparison



Departmental Expenditures

As of March 31, 2020, expenditures total $20.1 million, representing 82.7% of the budgeted appropriations. Expenditures at third quarter of the prior three years ranged from 65.6% to 73.5% of the final actual expenditures, placing this year above the three-year range. This is due primarily to the transfer of $8.7 million dollars for the Turlock Library expansion project and $2.4 million for the new Empire Library project from Department fund balance to the respective project funds.

Promoting First-Rate Learning Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for the priority of *Promoting First-Rate Learning* will increase appropriations by $111,000 funded by an increase in estimated revenue of $15,000 and a $96,000 increase in the use of Department fund balance.

Library

Principal and interest for the $6.3 million Tobacco Endowment Fund Loan for the Turlock Library Expansion project is due annually with the first payment in July 2020 for the prior fiscal year. A recommendation to increase appropriations by $96,000 is included, which represents the interest expense for Fiscal Year 2019-2020 funded by the use of Department fund balance. Future interest payments will be included in the Library's annual budget.

As of March 31, 2020, the Department had a negative fund balance of approximately $2.5 million due to the outstanding balance on the Tobacco Loan. The Department's cash balance is approximately $4.2 million, however, which provides sufficient funding for the interest payment.

The Library was awarded a $15,000 grant for Lunch at the Library from the California State Library. The grant will be used to offer pop-up library programming to enhance local non-library community meal sites.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund	**Description**
Library	$0	$96,000	$96,000	$0	Increase appropriations to pay interest on the $6.3 million Tobacco Endowment Fund for Turlock Library Expansion Project funded by an increase in the use of department fund balance.
Library	$15,000	$15,000	$0	$0	Increase in estimated revenue and appropriations for the Lunch at the Library grant from the California State Library.
Total	**$15,000**	**$111,000**	**$96,000**	**$0**	

Recommendation: It is recommended to increase appropriations by $111,000, funded by an increase in estimated revenue of $15,000 and the use of $96,000 in Department Fund Balance.

Delivering Efficient Public Services

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

Delivering efficient public services to benefit our residents and businesses

Priority Overview

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

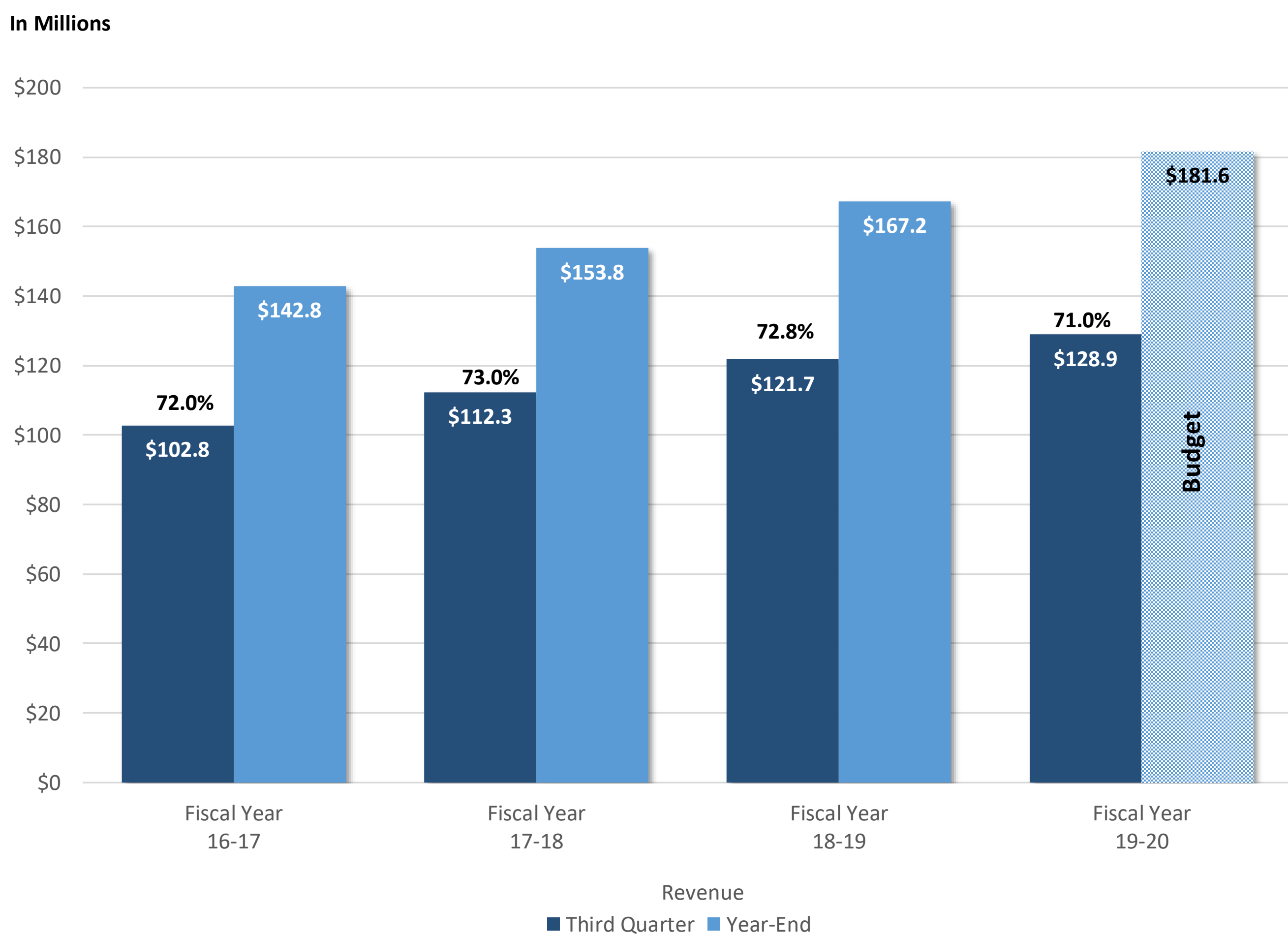
Departments assigned to the Board of Supervisors' priority area of *Delivering Efficient Public Services* include the Assessor, Auditor-Controller, Chief Executive Office, Clerk-Recorder/Elections, County Counsel, General Services Agency, Information Technology Central, and Treasurer-Tax Collector. The 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, exclusive of the COIVD-19 response the departments within the priority *Delivering Efficient Public Services* are on track to end the year within budget and in a positive fiscal position. Note the financial exposure to departments both increased costs and possibly lost revenue from the impact of COVID-19 will be reported and/or recommended for adjustment prior to fiscal year-end.

Departmental Revenue

For the departmental budgets that make up the Board of Supervisors' priority area of *Delivering Efficient Public Services*, the actual revenue collected as of March 31, 2020, totaled $128.9 million. This represents 71% of the estimated annual revenue and is slightly below the range compared to the third quarter point of the prior three years when collections ranged from 72% to 73% of actual revenue. This variance can be attributed to a significant increase in budgeted revenue in the Clerk-Recorder Elections budget, much of which is still outstanding due to the timing of the related elections and is expected to be realized in the last quarter of the fiscal year.

Delivering Efficient Public Services Four-Year Revenue Comparison

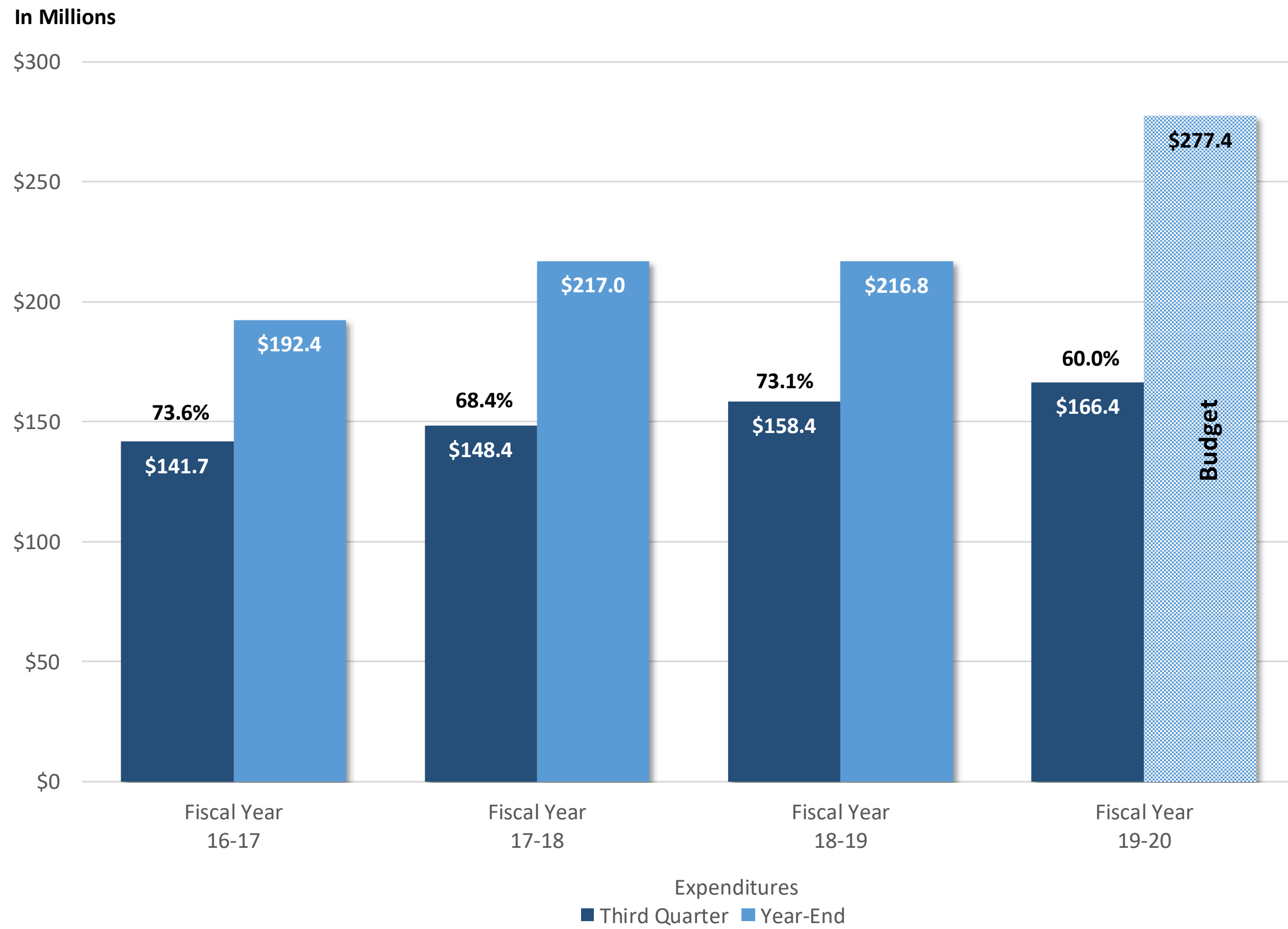


Departmental Expenditures

As of March 31, 2020, expenditures in this Board priority area totaled $166.4 million, representing 60% of the appropriations budgeted for the year. Expenditures at the third quarter point of the previous three fiscal years ranged from 68.4% to 73.6% of historical actual expenditures, placing this year below the range.

Both actual expenditures and budgeted appropriations have experienced increases, however, the increase in budgeted appropriations outpaced the increase in actual expenditures resulting in a lower percent of budget when compared to the previous three years. Significant contributors include delays in projects within the Chief Executive Office - Plant Acquisition, Chief Executive Office – Risk Management General Liability Self Insurance, Chief Executive Office – Crows Landing Air Facility, Clerk Recorder Elections, and Information Technology Central.

Delivering Efficient Public Services Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for *Delivering Efficient Public Services* will decrease appropriations in the amount of $92,107 and decrease estimated revenue by $11.1 million. The result of these recommendations is an increase in General Fund Contribution of $11 million, which is chiefly driven by an $11.2 million decrease in Discretionary Revenue related to the effects of COVID-19.

Chief Executive Office – County Operations

The CEO – County Operations budgets reflect a net decrease in appropriations of $227,107 due to transfers out of Appropriations for Contingencies and an increase in General Fund Contribution to Other Programs.

Appropriations for Contingencies serves as the contingency fund for the County and provides funds to meet unexpected and emergency financial exposures which may arise during the fiscal year. The transfer of funds from Appropriations for Contingencies to departmental operating budgets requires a four-fifths vote by the Board of Supervisors. The 2019-2020 Adopted Final Budget included a total of $12,008,510 in appropriations for use during the fiscal year for contingencies related to General Fund cash-outs, health insurance increases, Cost Allocation Plan (CAP) charges, and other miscellaneous unforeseen program or community needs. At first quarter, a transfer of $1,558,711 was recommended to fund Cost Allocation Plan (CAP) charge increases in multiple General Fund departments. At midyear, transfers totaling $2,837,625, were approved to cover a variety of needs, leaving $7,612,174 in remaining Appropriations for Contingencies. There have been no other transfers through March 31, 2020.

At third quarter, transfers in the amount of $302,107 are recommended as follows:

- $151,107 to the Public Defender for termination cashouts;
- $25,000 to Sheriff – Operations for a Dive Truck replacement;
- $51,000 to Sheriff – Operations for vehicle replacement that was erroneously budgeted in Contract Cities; and
- $75,000 to General Fund Contribution to Other Programs to fund a cash-out in Stanislaus Regional 911.

If all Third Quarter transfers are approved, $7,310,067 will remain in CEO - Appropriations for Contingencies for use throughout the balance of Fiscal Year 2019-2020.

For the General Fund Contribution to Other Programs, it is recommended to increase appropriations by $75,000 to fund a cash-out of a long-term employee at Stanislaus Regional 911. The increase will be funded by a transfer from Appropriations for Contingencies, as noted previously.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	**Description**
Appropriations for Contingencies	$0	($151,107)	$0	($151,107)	Transfer to Public Defender for termination cash-outs.
Appropriations for Contingencies	$0	($25,000)	$0	($25,000)	Transfer to Sheriff - Operations for Dive Truck replacement.
Appropriations for Contingencies	$0	($51,000)	$0	($51,000)	Transfer to Sheriff - Operations for vehicle replacement that was erroneously budgeted in Contract Cities.
Appropriations for Contingencies	$0	($75,000)	$0	($75,000)	Transfer to General Fund Contribution to Other Programs for termination cash-out costs in SR-911.
General Fund Contribution to Other Programs	$0	$75,000	$0	$75,000	Increase appropriations to fund a termination cash-out at SR-911.
Total	**$0**	**($227,107)**	**$0**	**($227,107)**	

Recommendation: It is recommended to decrease appropriations in CEO – County Operations by $227,107 which results in an equal decrease in the General Fund Contribution.

Chief Executive Office – Risk Management

For the Workers' Compensation Self-Insurance Program, an increase in appropriations in the amount of $135,000 is recommended to fund additional benefit costs and the advance of workers' compensation payments to existing claimants to prevent a delay due to the possible COVID-19 related third-party business closures. These additional expenses were not known at the time of the Fiscal Year 2019-2020 Midyear Financial Report and are one-time. Appropriations will be funded by additional interest revenue.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	**Description**
Chief Executive Office - Workers' Compensation	$135,000	$135,000	$0	$0	Increase appropriations to fund additional workers' compensation benefit costs and advance payments due to possible COVID-19 closures, funded by interest earnings.
Total	**$135,000**	**$135,000**	**$0**	**$0**	

Recommendation: It is recommended to increase appropriations and estimated revenue by $135,000.

Clerk-Recorder

A decrease in appropriations of $141,930 in the Modernization Trust Fund budget and a subsequent increase in appropriations of $141,930 in the Vital and Health Statistics budget will allow costs for the Granicus document imaging contract to be appropriately spread across all applicable funds rather than relying on a single funding source.

The Clerk-Recorder, Auditor-Controller, and Chief Executive Office have worked together to review existing Clerk-Recorder and Elections funds that are available to support the proposed facilities upgrades initiated by the Board of Supervisors' approval on June 12, 2018. At this time, staff have identified Performance Visioning Carryover Savings (PVCS) as an appropriate funding source for this project. A transfer of appropriations of $740,165 in the Elections budget unit and $552,572 in the Clerk Recorder budget unit, to Other Financing Uses will support these PVCS fund to be transferred to Capital Projects, for the proposed security, safety, and ADA facilities improvements. Identification of additional funding sources which might support this project remains ongoing.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	**Description**
Modernization Trust Fund	$0	($141,930)	($141,930)	$0	Decrease appropriations in Services and Supplies currently allocated for a portion of the Granicus contract costs.
Vital and Health Statistics	$0	$141,930	$141,930	$0	Increase appropriations in Services and Supplies to pay for a portion of the Granicus contract using Fund Balance.
Elections	$0	($740,165)	$0	($740,165)	Transfer appropriations from PVCS to Other Financing Uses.
Elections	$0	$740,165	$0	$740,165	Transfer appropriations into Other Financing Uses from PVCS to support Clerk Recorder/Elections facilities upgrades.
Clerk Recorder	$0	($552,572)	$0	($552,572)	Transfer appropriations from PVCS to Other Financing Uses.
Clerk Recorder	$0	$552,572	$0	$552,572	Transfer appropriations into Other Financing Uses from PVCS to support Clerk Recorder/Elections facilities upgrades.
Total	**$0**	**$0**	**$0**	**$0**	

Recommendation: It is recommended to decrease appropriations in the Modernization Trust Fund budget by $141,930 and increase appropriations in the Vital and Health Statistics budget by $141,930. There is no impact to Net County Cost.

Delivering Community Infrastructure

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

Delivering community infrastructure to benefit our residents and businesses

Priority Overview

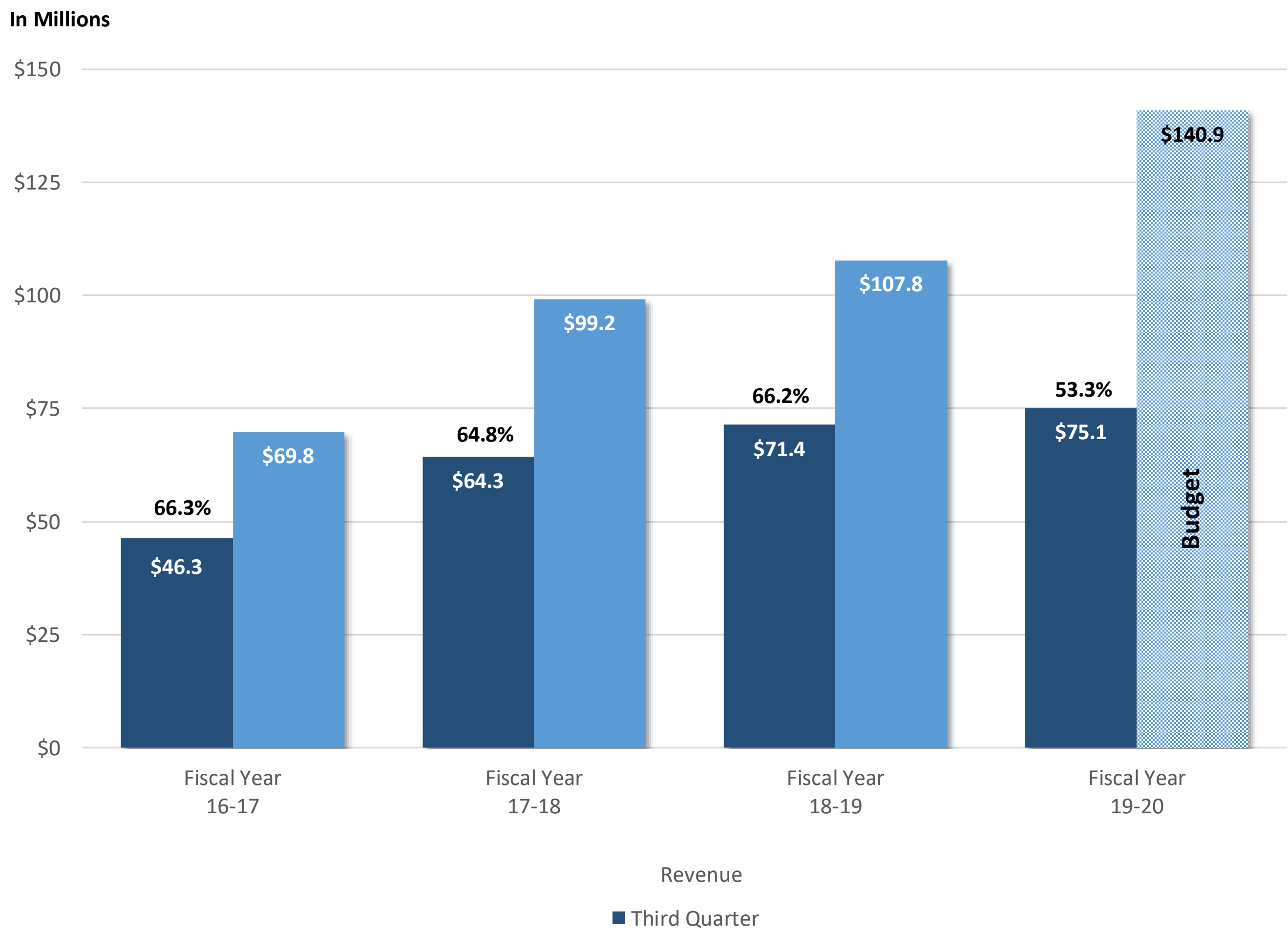
The Board of Supervisors' priority area of *Delivering Community Infrastructure* is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, recreational opportunities, and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

The departments within the priority *Delivering Community Infrastructure* are clearly monitoring costs and revenue in light of any COVID-19 related impacts to ensure they remain within budget and end the year in a positive fiscal position.

Departmental Revenue

For the departmental budgets that are part of the Board of Supervisors' priority *Delivering Community Infrastructure* as of March 31, 2020, actual revenue collected is $75.1 million, which represents 53.3% of the estimated annual revenue. This is below the range when compared to third quarter of the prior three years when collections ranged from 64.8% to 66.3% of the final actual revenue. The lower percentage is mostly a result of the timing of Road and Bridge projects. Projects are fully budgeted in the current year but occur over multiple years. In addition, Planning – Special Revenue Grants revenue fluctuates due to the timing of major infrastructure projects.

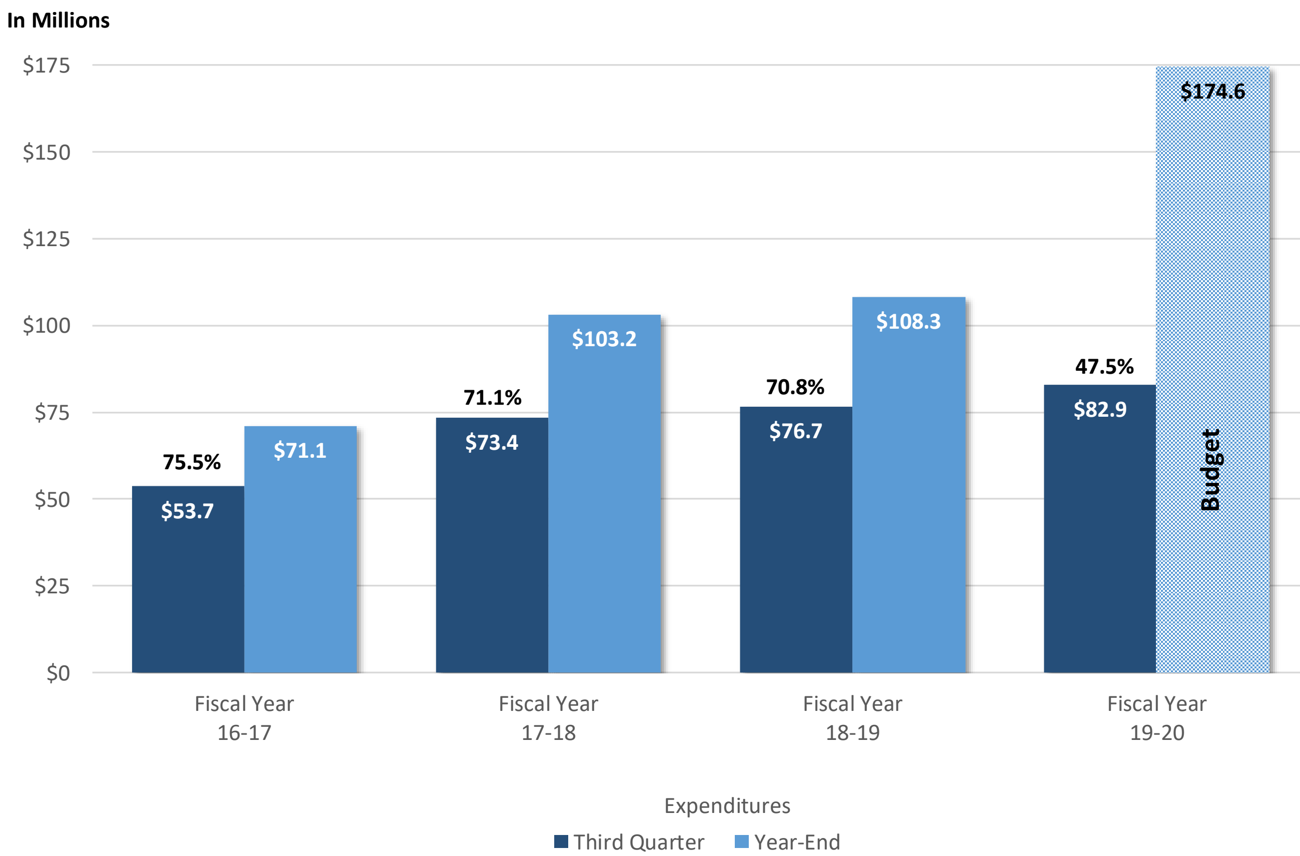
Delivering Community Infrastructure Four-Year Revenue Comparison



Departmental Expenditures

As of March 31, 2020, expenditures are $82.9 million, representing 47.5% of the budgeted appropriations. Expenditures at third quarter of the prior three years ranged from 70.8% to 75.5% of the final actual expenditures, placing this year's expenditures below the range. The lower percentage is mostly a result of the timing of Road & Bridge projects. Projects are fully budgeted in the current year but occur over multiple years. In addition, Planning – Special Revenue Grants revenue fluctuates due to the timing of major infrastructure projects.

Delivering Community Infrastructure Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for the priority of *Delivering Community Infrastructure* will increase appropriations by $100,000. This adjustment is funded by a $100,000 increase in estimated revenue.

Parks and Recreation

The CEO - Office of Emergency Services was granted Public Safety Power Shutoff (PSPS) grant funding, of which, the Parks and Recreation Department was allocated $100,000 to purchase two generators for Modesto and Woodward reservoirs. The PSPS Resiliency Program was created to mitigate the impact on Californians by supporting continuity of operations and efforts to protect public health, safety, and commerce in affected communities.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
Parks and Recreation	$100,000	$100,000	$0	$0	Increase estimated revenue and appropriations to purchase two generators related to the 2019 Budget Act Public Safety Power Shutoff Resiliency grant funding.
Total	**$100,000**	**$100,000**	**$0**	**$0**	

Recommendation: It is recommended to increase estimated revenue and appropriations by $100,000 for the Parks and Recreation Department.

Public Works

Public Works is requesting that its Road Projects fund (Fund 1102) become a non-interest-bearing fund. Fund 1102 houses most of the Department's capital projects. These projects are funded through multiple funding sources, the majority being reimbursable grants administered by Caltrans. In order to take advantage of these grants and leverage the County's available funding, Public Works must expend funds then ask for reimbursement of qualified expenditures. This reimbursement process can take approximately four to six weeks. Funds are booked as a receivable; however, until cash is received the fund may show a negative cash balance. This often results in a "negative interest" allocation to the fund which cannot be charged to the grants. Removing the fund's interest-bearing status means that any interest earnings, or "negative interest" incurred, as a result of the fund's cash balance will be included in the General Fund's interest earnings moving forward. This practice is consistent with how other reimbursement-based funds are treated and has the support of the Auditor-Controller's Office; however, Board of Supervisors approval is needed to make the change.

Recommendation: It is recommended to change the Road Projects fund, Fund 1102, from an interest-bearing fund to a non-interest-bearing fund.

Third Quarter Financial Report Conclusion

The Third Quarter Financial Report provides an update on County department financial operations, including analysis of revenue and expenditure trends which show the County budget was balanced with actual performance tracking well with the 2019-2020 Operating Budget prior to the COVID-19 Pandemic, first experienced locally in March 2020. Year-end projections for Third Quarter were completed by departments prior to data being available related to cost factors of the COVID-19 response, which have been addressed by the Board of Supervisors in separate agenda items subsequent to March 2020. Recommended adjustments at Third Quarter include the preliminary loss of revenues forecast in Discretionary Revenue which will require use of County General Funds estimated at $11.2 million to balance the budget at year-end. This revenue shortfall is forecast to negatively impact the County in succeeding years; sales tax alone is projected to take five years to build back to the level of actual Fiscal Year 2018-2019 receipts.

Departments who rely on sales-tax based funding streams, such as 1991 Realignment for Health and Human Services departments and 2011 Realignment for Public Safety and Protective Services programs will be monitoring their budgets continuously through fiscal year-end 2019-2020 to develop balancing strategies which are likely to significantly impact department fund balance. Certain departments in receipt of mandate match may identify Unmet Needs that will be reported to the Board of Supervisors in June 2020. Any additional exposures from COVID-19 will be mitigated by Federal and/or State funding streams provided to assist local government during the pandemic response.

The County is fortunate to have a healthy General Fund Balance, the result of years of strategic financial planning and prudent budgeting. Projected Fund Balance of $166.5 million is forecast for June 30, 2020, and sufficient reserves exist to balance the 2019-2020 fiscal year-end close.

Alternate Budget Concept for the Two-Year Budget 2020-2021/2021-2022

Stanislaus County implemented the two-year budget model with the 2018-2019/2019-2020 budget cycle, following an intense preparation period that included zero-based budgeting for General Fund departments, and long-range modeling for all departments in the County to ensure sustainable operations through the full two years. This Third Quarter 2019-2020 Financial Report is focused on the year-end close for Year Two, which due to COVID-19 is being tested in a financial downturn. Staff are confident the two-year budget approach can continue to serve the County well by incorporating long-term planning at the department level into the development of the County Long Range Model. Use of the Long-Range Model supports leadership decision-making focused on balancing strategies for sustainable operations over time, critical to the viability of the organization, and our mission to provide service to the community.

Due to the uncertainty of the COVID-19 cost exposures, fluctuating revenues, and most importantly the workload placed on the County to lead the local response to the pandemic, the decision was made to begin the upcoming budget year, 2020-2021 with a Rollover Proposed Budget. While work had begun to build base budgets for the next two-year cycle, the heavy lift required for departments to complete their analysis, compile projections and narrative justification, and participate in budget review/negotiations with the Chief Executive Office was suspended in order to focus on the emergency response. The Rollover Proposed Budget for 2020-2021 will be equivalent to the Legal Budget as of March 31, 2020, reduced by any prior year appropriations, and also reduced by Performance Visioning Carryover Savings that benefited some General Fund departments in the current year. The Rollover Budget may include recommended accounting edits to legal budget units but will not include staffing requests; emergency requests may be considered. This Rollover Proposed Budget is a temporary budget that will be completely deleted and replaced with the Recommended Final Budget.

The preliminary budget work that was completed through February of 2020, is all useful, and supports zero-base budgets for departments as a beginning point for consideration at Final Budget 2020-2021 planned for presentation to the Board of Supervisors in September 2020. At that time, departments may be asked to reduce their base budgets dependent on Long Range Model forecasting; optimally base budgets may be supported with limited opportunity for funding department requested adjustments for unmet needs. Beginning in April of 2020, all County departments were tasked to begin continuous search for external funds to support their respective programs and services. The Chief Executive Office is coordinating this search and will report out on department success to access and obtain Federal, State, and/or grant funds to benefit our local community.

The Recommended Final Budget for 2020-2021/2021-2022 will be presented in a two-year model, inclusive of expanded revenue sources, and identified reporting periods for update to the Board of Supervisors and the public on financial operations, consistent with traditional quarterly budget updates.

Budget Schedule

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

	2020-2021 Rollover Proposed Budget	2020-2021/2021-2022 Final Budget
Budget available on County website	N/A	September 8, 2020
Board of Supervisors Hearing	June 23, 2020	September 22, 2020