Stanislaus County

2025 THIRD QUARTER FINANCIAL REPORT

JULY 2024 – MARCH 2025

BOARD OF SUPERVISORS
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SUBMITTED BY
JODY HAYES, CHIEF EXECUTIVE OFFICER

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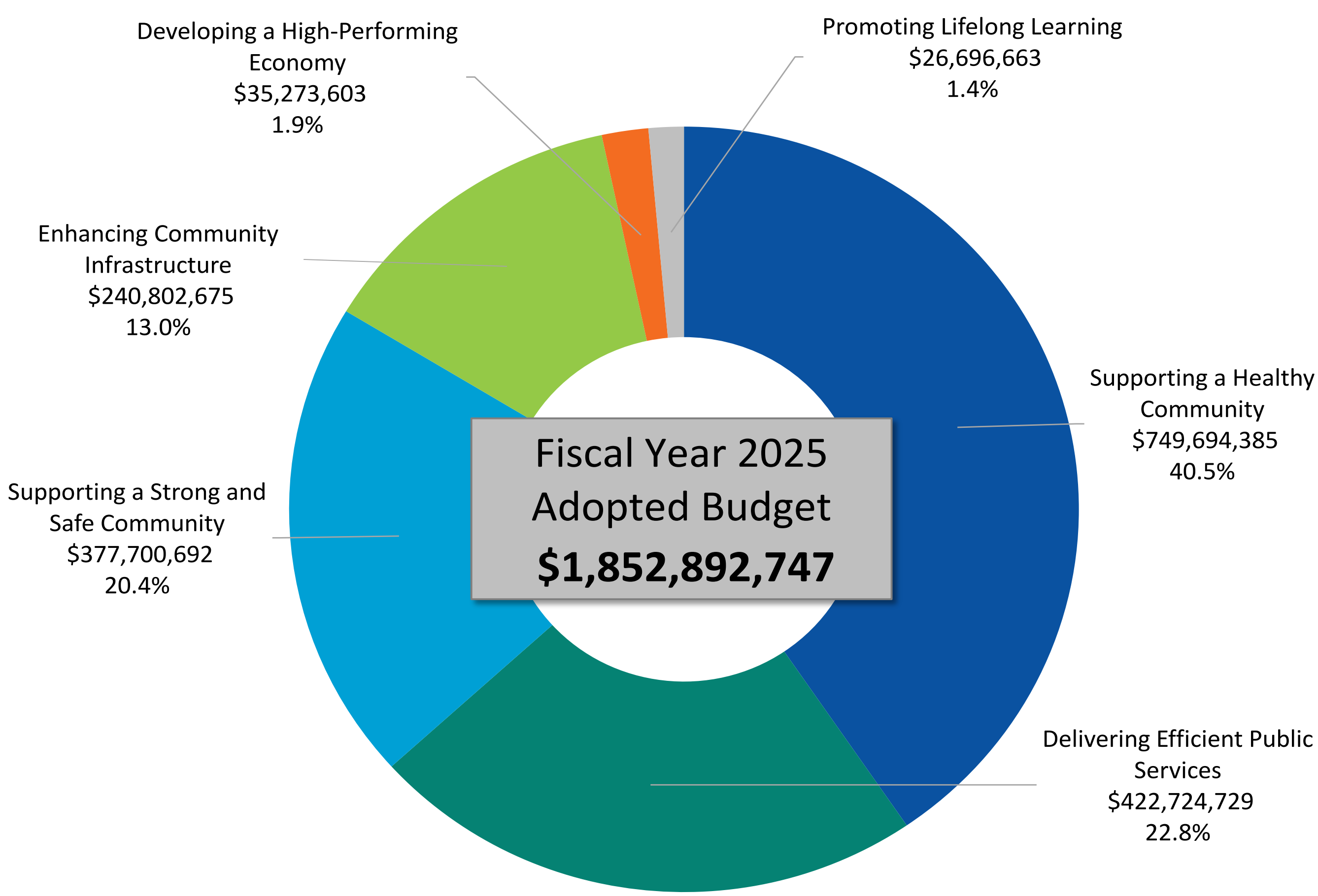
Introduction

This is the 2025 Third Quarter Financial Report for Stanislaus County submitted by the Chief Executive Officer for the period of July 1, 2024, to March 31, 2025. It has been prepared to inform the Board of Supervisors, County leadership, and the public on 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 Adopted Budget was approved in September 2024, including those incorporated through quarterly financial reports and individual agenda items approved by the Board throughout the fiscal year.

Background

The 2025 Adopted Budget was approved by the Board of Supervisors on September 17, 2024, and totaled $1.85 billion for all funds, representing an increase of $127.3 million, or 7.4%, over the prior fiscal year. It was balanced using a combination of $1.69 billion in estimated revenue and the use of $162.7 million in fund balance and retained earnings. The 2025 Adopted Budget included funding to support 4,926 allocated full-time positions, an increase of 60 positions over that supported by the 2024 Adopted Budget. The following chart reflects the 2025 Adopted Budget organized by Board of Supervisors' priority area.

2025 Adopted Budget by Board Priority

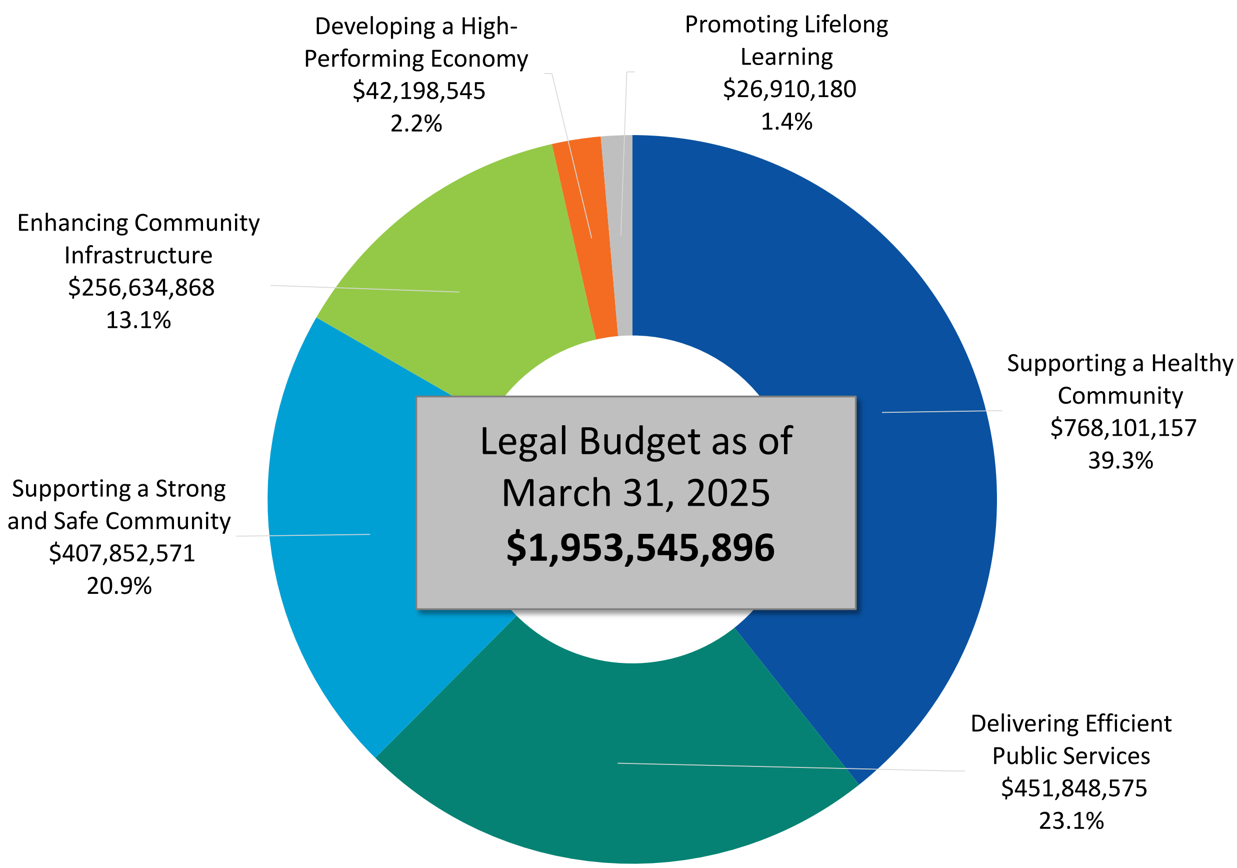


Summary of Budget Adjustments

The Adopted Budget is adjusted each year to include appropriations that are carried forward from the prior fiscal year for projects that were planned for and authorized by the Board of Supervisors but were not fully completed. Additionally, the Board of Supervisors approves budget adjustments identified through quarterly financial reports and separate Board action throughout the fiscal year. The sum of these adjustments made through March 31, 2025, total $100.7 million.

The County's Legal Budget as of March 31, 2025, prior to the inclusion of any recommended budget adjustments identified in this 2025 Third Quarter Financial Report, totals $1.95 billion, as reflected in the following chart.

2025 Legal Budget as of March 31, 2025, by Board Priority



2025 Third Quarter Financial Report Overview

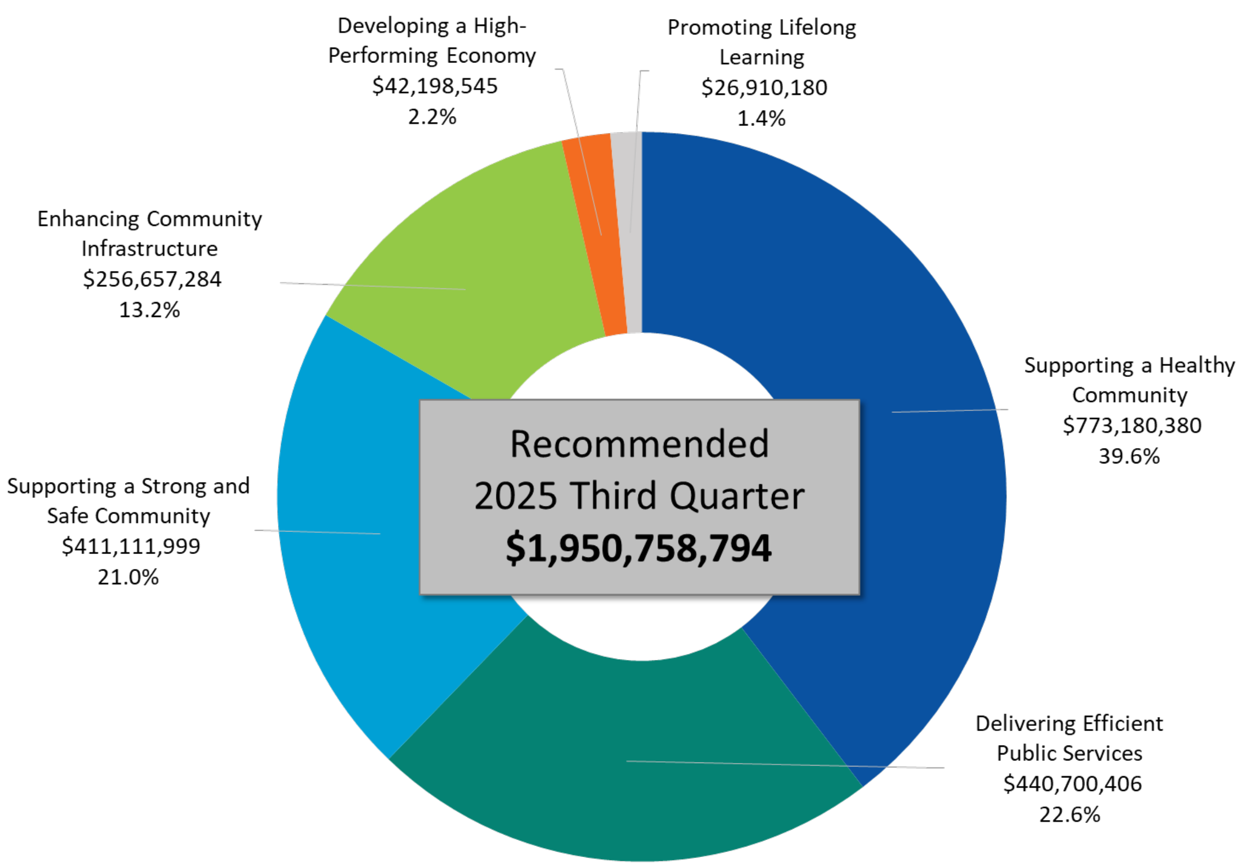
The 2025 Third Quarter Financial Report serves as a fiscal review of departmental programs and includes recommended adjustments to ensure that departments complete the fiscal year within their approved budgets. The report also includes a brief analysis of multi-year trends for both revenue and expenditures by priority area. Updates are also provided on Discretionary Revenue aligned with year-end estimates.

The recommendations presented in the 2025 Third Quarter Financial Report include an increase in estimated revenue of $16.5 million and an increase of $1.4 million in appropriations, offset using $4.2 million in transfers from Appropriations for Contingencies, for an overall appropriation decrease of $2.8 million. These adjustments result in a $19.3 million reduced reliance on fund balance and retained earnings.

County General Fund support for various departments is made possible through the transfer of $4.2 million from Appropriations for Contingencies, the County's contingency funding reserved for use throughout the fiscal year to cover unanticipated needs as they arise. These transfers will cover increased program costs, retirement cash-outs, health benefit increases, negotiated labor increases, and other operational needs consistent with budget policy and instructions for Third Quarter. The transfer of Appropriations for Contingencies requires a four-fifths vote by the Board of Supervisors. If approved, a balance of $1.7 million will remain in Appropriations for Contingencies to address any additional needs of the organization for the remainder of Fiscal Year 2025.

The following chart depicts the $1.95 billion Third Quarter Budget, inclusive of the recommended adjustments that are described in greater detail by department in subsequent sections of this report. Consistent with past practice, the budget and financial report are organized by Board priority area.

2025 Recommended Third Quarter Budget by Board Priority



Consistent with standard accounting practices, the County's budget is divided into separate financial entities known as "funds". These include three "governmental funds" (General, Special Revenue, and Capital Projects funds) to account for local governmental activities and two proprietary funds to address "business-type" activities (Enterprise and Internal Service funds). The following table reflects the progression of the County's budget from the 2025 Adopted Budget to the Legal Budget as of March 31, 2025, and finally, the recommended 2025 Third Quarter Budget.

Summary of Third Quarter Appropriation Adjustments by Fund Type

Fund Type	2025 Adopted Budget	Legal Budget as of 3/31/2025	Recommended 2025 Third Quarter Adjustments	Recommended 2025 Third Quarter Budget
General Fund	$ 543,525,122	$ 555,132,386	$ (87,209)	$ 555,045,177
Special Revenue	1,021,630,977	1,099,423,345	5,137,707	1,104,561,052
Capital Projects	33,440,461	35,509,333	(9,200,000)	26,309,333
Enterprise	77,365,143	81,530,633	-	81,530,633
Internal Service	176,931,044	181,950,199	1,362,400	183,312,599
Total All Funds	**$ 1,852,892,747**	**$ 1,953,545,896**	**$ (2,787,102)**	**$ 1,950,758,794**

General Fund

The recommended Third Quarter Budget for the General Fund totals $555 million, reflecting a reduction of $87,209 from the Legal Budget as of March 31, 2025. This change represents an overall total increase of $4.2 million in appropriations for departmental requests offset by $4.2 million in transfers from Appropriations for Contingencies.

Appropriation increases include $1.2 million for Employee Recruitment and Retention Strategy costs, $680,370 to re-appropriate unspent Americans with Disabilities Act and Deferred Maintenance funds from the prior fiscal year, $624,700 to support legal and case-related costs, and $556,284 to support retirement cash-outs, with the remaining increases estimated at $1.1 million supporting alignment with current-year costs.

Special Revenue Funds

The recommended Third Quarter Budget for Special Revenue Funds totals $1.1 billion, an increase of $5.1 million over the Legal Budget as of March 31, 2025.

The primary contributors to the increase include $2.1 million in the Behavioral Health and Recovery Services Managed Care budget to reimburse Doctor's Behavioral Health Center and $1.7 million to reimburse the California Department of Health Care for recalculated claims from the years 2011, 2020, and 2022.

Capital Projects Funds

The recommended 2025 Third Quarter Budget for Capital Projects totals $26.3 million, reflecting a $9.2 million decrease from the Legal Budget as of March 31, 2025. This reduction is attributable to a decrease for the Crows Landing Industrial Business Park, where certain projects are not proceeding as originally planned. The appropriations and fund balance will be re-budgeted in Fiscal Year 2026. Additional details on all Capital Projects can be found in the Annual Comprehensive Financial Report prepared by the Stanislaus County Auditor-Controller.

Enterprise Funds

The recommended 2025 Third Quarter Budget for Enterprise Funds totals $81.5 million, consistent with the Legal Budget as of March 31, 2025, with no recommended adjustments for these funds at third quarter.

Internal Service Funds

The recommended 2025 Third Quarter Budget for Internal Service Funds totals $183.3 million, an increase of $1.4 million over the Legal Budget as of March 31, 2025.

The primary contributors to this increase are adjustments within the Medical Self-Insurance Fund, which include a $500,000 increase due to higher contributions to the Health Savings Account (HSA). This increase in HSA related expenditures is the result of a 4% increase in the employer contribution to employee HSA accounts for employee +1 and family levels in the high-deductible health plan as well as a 5% increase in the number of members enrolled in the medical plan year-over-year. Additional adjustments totaling $850,000 are for increased pharmacy claims costs and the initiation of a new contract with Segal for employee benefit consulting services.

Fund Balance

The 2025 Adopted Budget initially reported a total beginning fund balance as $777.7 million. However, following the Midyear Budget review, this balance has been adjusted by $9.6 million, resulting in a revised beginning fund balance of $787.3 million. This adjustment aligns with budget policy, which stipulates that Proprietary Funds, including Internal Service Funds and Enterprise Funds, utilize the full accrual basis of accounting and post-closing adjustments. These post-closing adjustments are a longstanding element of the County's year-end process and continue until the completion of the Annual Comprehensive Financial Report for that fiscal year.

The 2025 Adopted Budget included the planned use of $162.7 million in fund balance. Adjusted to include Board of Supervisors' actions approved through March 31, 2025, the use of $213.4 million in fund balance was projected for all departments.

The recommendations presented in the Third Quarter Financial Report include adjustments decreasing the use of fund balance by an overall $19.3 million. This includes a return of $11.3 million to the General Fund primarily for increases in Discretionary Revenue due to interest earning receipts coming in higher than anticipated and a true-up to prior-year ending balances for property taxes. Special Revenue funds will increase fund balance usage by $4.8 million mostly attributable to adjustments in Behavioral Health and Recovery Services to cover behavioral health contracts costs and Medi-Cal reimbursements. Capital Projects will reduce reliance on $9.2 million in fund balance due to a current-year reduction in appropriations in the Crows Landing Industrial Business Park (CLIBP) project which will instead be utilized in Budget Year 2026. Furthermore, Internal Service Funds will reduce reliance on retained earnings by $3.5 million of which Behavioral Health and Recovery Services was the largest contributor.

The table below outlines the updated beginning fund balances on July 1, 2024, for the various fund types, as well as the projected year-end balances, which reflect the actions approved by the Board of Supervisors through March 31, 2025, and recommendations contained in the 2025 Third Quarter Financial Report. Overall, the projected fund balance for the fiscal year ending June 30, 2025, is approximately $593.2 million.

Summary of Fund Balance by Fund Type

Fund Type	Beginning Fund Balance on 7/1/24*	Legal Budget Revenue on 3/31/25	Legal Budget Appropriations on 3/31/25	Third Quarter Recommended Use of Fund Balance	Projected Fund Balance 6/30/25
General Fund	$ 246,701,070	$ 477,639,017	$ 555,132,386	$ (11,338,702)	$ 180,546,403
Special Revenue	395,524,380	1,003,068,294	1,099,423,345	4,774,744	294,394,585
Capital Projects	5,255,142	32,369,000	35,509,333	(9,200,000)	11,314,809
Enterprise	114,834,817	53,670,248	81,530,633	-	86,974,432
Internal Service	24,961,087	173,402,746	181,950,199	(3,548,815)	19,962,449
Total All Funds	**$ 787,276,496**	**$ 1,740,149,305**	**$ 1,953,545,896**	**$ (19,312,773)**	**$ 593,192,678**

**Beginning Fund Balance as of March 31, 2025 is an increase of $9,550,566 compared to the $777,725,930 reported in the 2025 Adopted Budget document (page 61). The adjustment is to align with the budget policy, and is due to post-closing journal entries made by the Auditor-Controller's office as part of the Fiscal Year 2024 year-end close process.*

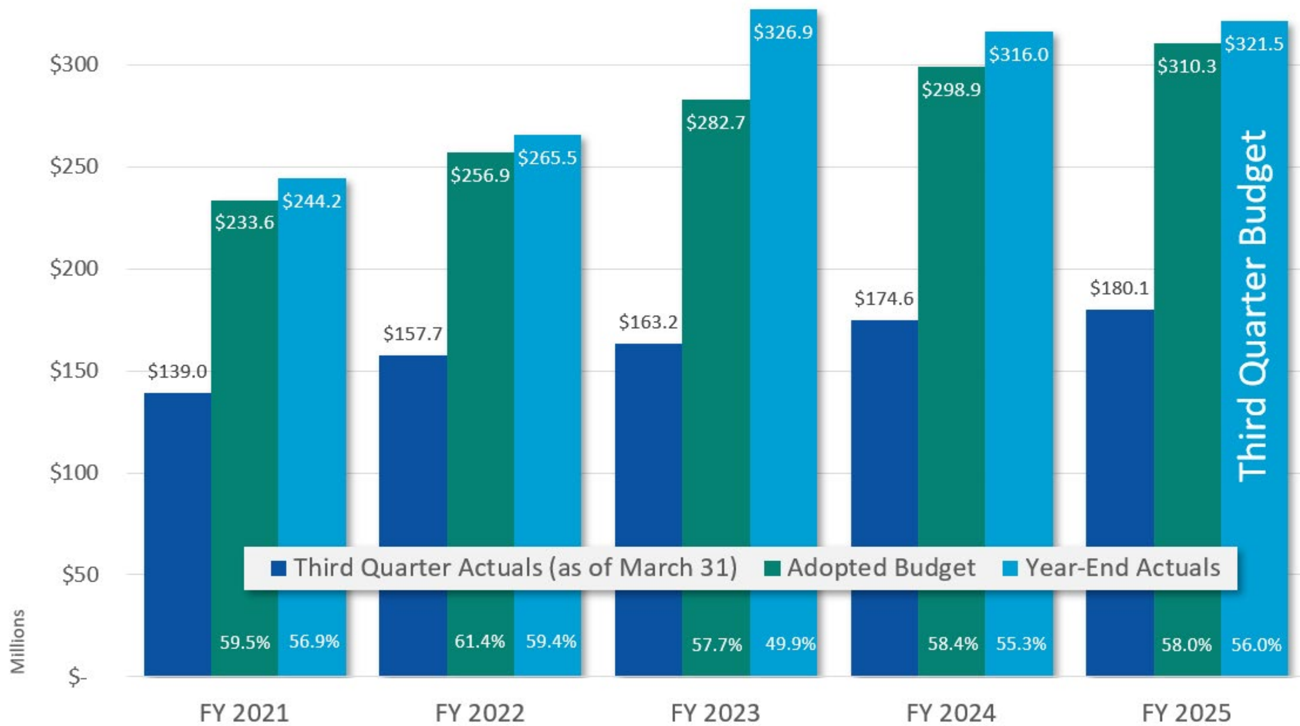
General Fund Update

Discretionary Revenue

As of March 31, 2025, approximately $180.1 million in Discretionary Revenue has been collected, representing 58% of the $310.3 million projected and included in the 2025 Adopted Budget. Over the past four years, Discretionary Revenue collected by the end of the third quarter has varied between 57.7% and 61.4% of the Adopted Budget and from 49.9% and 59.4% of actual year-end totals. Fiscal Year 2025 third quarter Discretionary Revenue falls within these historical ranges.

The following chart provides a five-year comparison of third quarter performance, including data for the current year. It illustrates revenue receipts for nine months of each fiscal year, alongside the Adopted Budget and year-end actuals from the previous four years, noting estimates included in the Third Quarter report for Fiscal Year 2025.

Discretionary Revenue Five-Year Historical Chart



Discretionary Revenue Third Quarter Adjustments

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

Taxes

Included in this category are various property-related taxes (secured, unsecured, supplementals, redevelopment pass-through increment, property tax received in lieu of vehicle license fees, and property transfer tax), 1% sales and use taxes, and transient occupancy taxes. Analysis of receipts through March 2025 indicates additional revenue from property taxes (secured and unsecured), supplemental property taxes, redevelopment pass-through increments, and occupancy tax, which are projected through the end of Fiscal Year 2025. Statewide sales tax projections continue to show further decreases from the prior year and the Legal Budget as of March 31, 2025. In this category of Taxes, projections total $223.5 million, which represents a projected increase of $1.6 million over that included in the Adopted Budget. An adjustment for this $1.6 million projected increase is recommended at third quarter.

Licenses, Permits and Franchises

This category is made up of utility franchise fees. Under franchise agreements, cable and utility companies pay franchise fees to local agencies in return for the commercial use of public streets. Based on updated projections and higher than budgeted franchise fee receipts, an increase of just over $233,000 is recommended.

Fines, Forfeitures and Penalties

The Fines, Forfeitures and Penalties category includes penalties on delinquent taxes. The predominant factor determining the year-end balance is the annual rightsizing of the tax loss reserve fund per Revenue and Taxation Code. Current projections indicate a potential increase in payments of delinquencies of $378,240 in the current fiscal year. Based on updated projections, an increase of $378,240 is recommended.

Revenue from the Use of Money

Interest earnings from pooled cash are trending significantly higher than initially forecasted. The Treasurer-Tax Collector's Office conducted an updated analysis at third quarter, which projects a substantial increase in pooled cash interest revenue for Fiscal Year 2025.

The County's Adopted Budget included $9.3 million in anticipated revenue from pooled cash interest. However, the updated projection estimates earnings of approximately $20.3 million, representing an $11 million increase. Several key factors have contributed to this increased projection:

- Higher investment yields: A greater portion of the investment portfolio has been allocated to instruments with higher rates than those assumed in the Adopted Budget.
- Updated earnings data.
- Inclusion of short-term amortizing notes, investments purchased at a discount and redeemed at par.
- Updated portfolio allocation assumptions: The Adopted Budget assumed 20% of the portfolio would be invested in a short-term fund at a declining rate of 3%, then 2.5%. However, approximately 30% of the portfolio was allocated to this fund.
- Sustained higher short-term fund rates: Contrary to earlier forecasts, the short-term fund's interest rate remained around 5% through Calendar Year 2024. While the rate began to decline slightly starting in December 2024, it most recently stands at 4.51%. The anticipated impact of Federal Reserve interest rate cuts on this fund has been less significant than originally projected.

Based on these updated assumptions, an $11 million increase in pooled cash interest earnings is recommended.

Intergovernmental Revenue

The Intergovernmental Revenue category represents revenue received from Federal, State, and other governmental entities in the form of grants, shared revenues, and payments in lieu of taxes. The largest source within this category is the one-half cent Sales and Use Tax dedicated to local public safety services, also known as Proposition (Prop) 172 Sales and Use tax.

As of third quarter, while sales tax revenue remains at historically high levels, the strong growth trend that began in Fiscal Year 2022 has moderated. Analysis of receipts through March 2025 indicate a projected decline of $1.6 million in Prop 172 revenue compared to the Adopted Budget level, reflecting a broader slowdown in Sales and Use Tax collections. Accordingly, a reduction of $1.6 million for Prop 172 tax is recommended as part of the third quarter adjustments.

Charges for Services and Interfund Revenue

The Charges for Services and Interfund Revenue category represents revenue received from supplemental assessments and tax collection fees associated with California Senate Bill (SB) 813. Based on analysis of receipts through March 2025, a slight decline of $254,664 in assessment and tax collection fee revenue has been identified. A decrease of $254,664 is recommended in this category as part of the third quarter budget adjustments.

Other Financing Sources Revenue

The Other Financing Sources category includes interest earnings from the Tobacco Endowment Fund Series 2002 and Series 2006. Current trends indicate that interest earnings from these funds are trending lower than budgeted projections. A reduction of $141,820 is recommended for this category.

The following chart summarizes third quarter Discretionary Revenue projections of $321.5 million for Fiscal Year 2025, an increase of $11.2 million over the 2025 Adopted Budget.

Discretionary Revenue Category	FY 2023 Actuals	FY 2024 Actuals	2025 Adopted Budget	Recommended 2025 Third Quarter Budget	Recommended Adjustments
Taxes	$ 203,831,867	$ 216,366,882	$ 221,842,165	$ 223,460,347	$ 1,618,182
Licenses, Permits, and Franchises	1,532,236	1,408,945	1,166,990	1,400,000	233,010
Fines, Forfeitures, Penalties	3,394,339	3,488,440	3,023,050	3,401,290	378,240
Revenue from Use of Money & Property	7,721,214	17,686,715	9,700,000	20,650,000	10,950,000
Intergovernmental Revenue	78,604,640	67,843,964	66,383,531	64,800,583	(1,582,948)
Charges for Services and Interfund	4,669,950	4,390,352	5,050,649	4,795,985	(254,664)
Miscellaneous	(372,999)	1,104,285	-	-	-
Other Financing Sources	27,580,984	3,665,218	3,179,995	3,038,175	(141,820)
Total Discretionary Revenue	**$ 326,962,231**	**$ 315,954,799**	**$ 310,346,380**	**$ 321,546,380**	**$ 11,200,000**

Recommendation: It is recommended to increase estimated Discretionary Revenue by $11.2 million.

Challenges and Opportunities

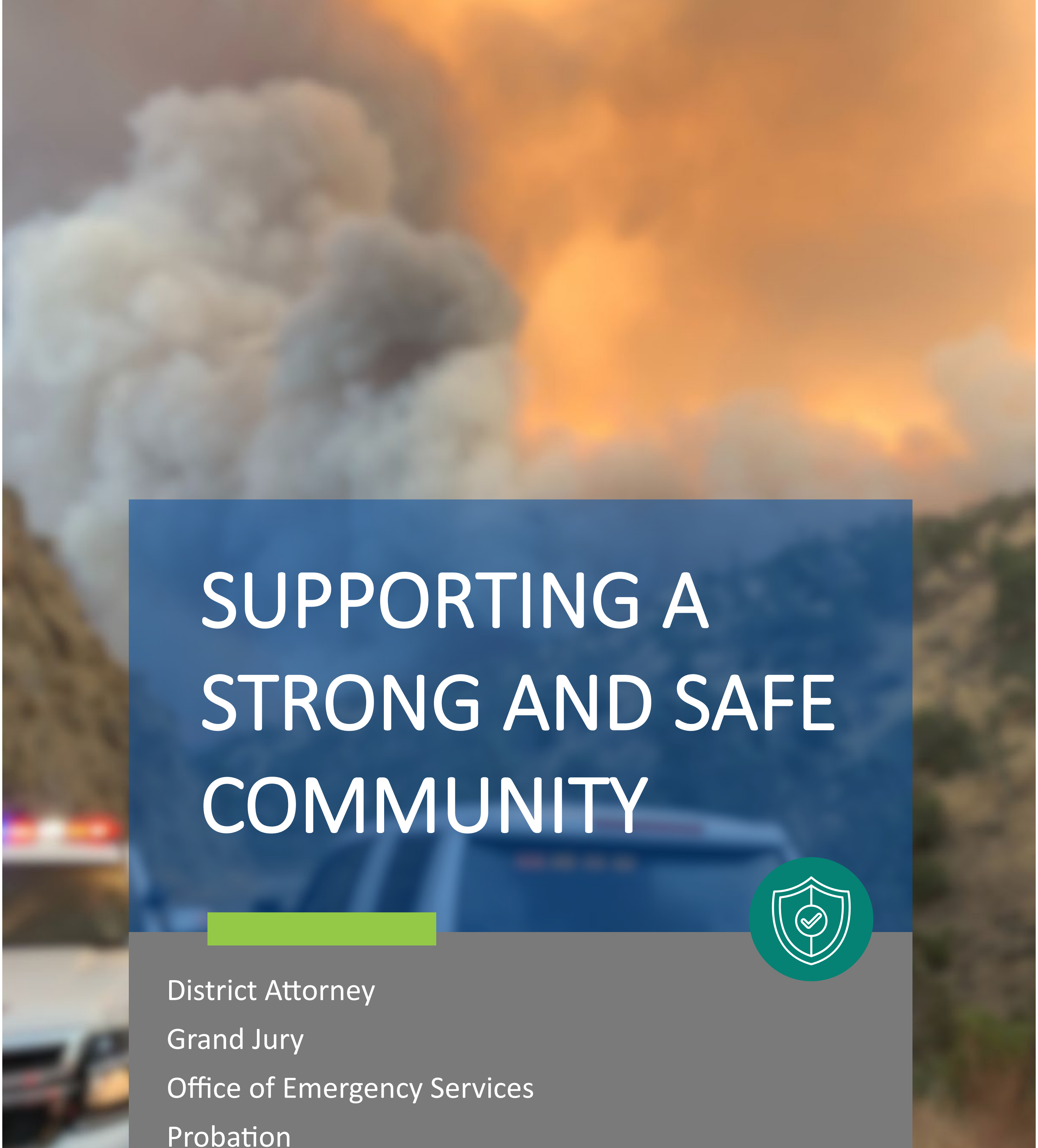
The organization regularly evaluates the various challenges and opportunities that can impact intended outcomes. Some require a collaborative approach and are beyond the scope of any one department or agency to resolve. The following are the organization-wide challenges and opportunities being tracked at third quarter, including preliminary information on the California State Budget.

Organizational Challenges and Opportunities

Monitoring potential impacts associated with the pending California State Budget is ongoing. Beginning with the Governor’s Proposed Budget issued in January, through the May Revision, and finally, adoption of the State Budget in June, staff continue to evaluate and consider how challenges at the State level will affect local programs and services for Budget Year 2026. The State Budget recognizes several risk factors that could negatively affect the economy and State revenues. These factors include stock market and asset price volatility and declines—particularly those affecting high-income earners—as well as geopolitical instability and the effect of the Federal government’s fiscal policy decisions. Although the State Budget is balanced and provides for significant reserves in the coming fiscal year, it anticipates shortfalls in subsequent fiscal years that are driven by expenditures exceeding revenues.

Staff will continue to monitor information from the State and will evaluate the May Revision for potential local impacts, sharing updated information with the 2026 Proposed Budget.

Several departments identified individual challenges and opportunities which are included in their respective sections of this report.



SUPPORTING A STRONG AND SAFE COMMUNITY

District Attorney

Grand Jury

Office of Emergency Services

Probation

Public Defender

Sheriff

Supporting a Strong and Safe Community

Priority Overview

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

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

Recommendations contained in this report will increase appropriations and Net County Cost by $3.3 million for departments *Supporting a Strong and Safe Community*. Most departments in this priority are on track to end the year within budget and in a positive fiscal position. The Sheriff's Office has identified additional exposures totaling approximately $2.2 million in the current year for which the Department has been advised to make operational changes to remain within budget. Further information regarding this exposure can be found in the Sheriff department section of this report.

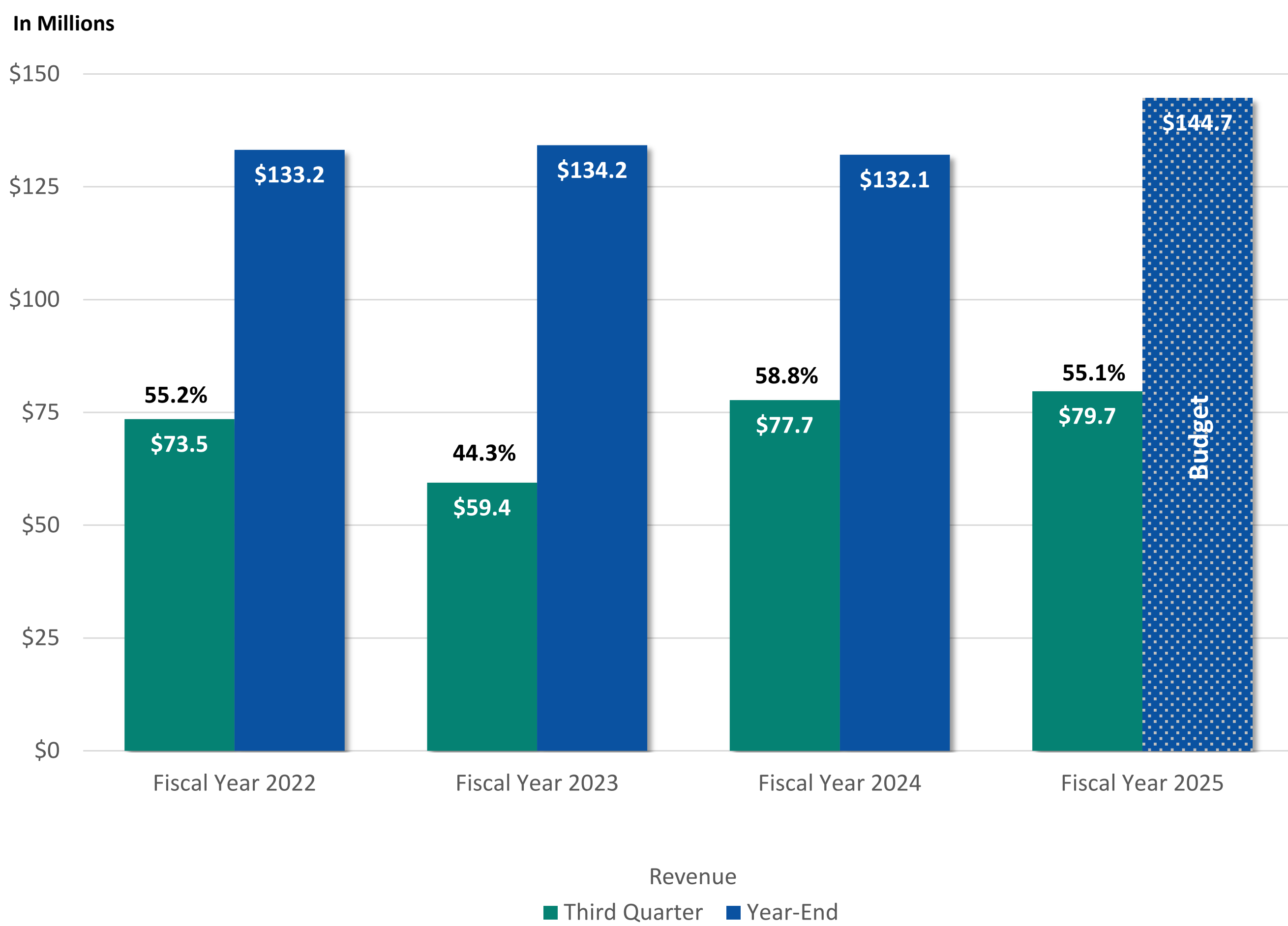
Departmental Revenue

For the department budgets *Supporting a Strong and Safe Community*, as of March 31, 2025, actual revenue collected totaled $79.7 million, representing 55.1% of the estimated annual revenue. This is within the historical range compared to revenue received as of the third quarter in the prior three years, when collections ranged from 44.3% to 58.8% of the final revenue receipts.

The budgeted revenue for the priority increased from $137.7 million, as identified on December 31, 2024, to $144.7 million at third quarter. The increase is primarily attributed to additional 2011 Realignment Revenue from vehicle license fees (VLF) for Probation, which was adjusted in the 2025 Midyear Financial Report, and grants approved by the Board of Supervisors for the District Attorney and Sheriff's Offices.

Approximately $15 million in outstanding revenue related to Community Corrections Partnership (CCP) and Jail-Based Competency Treatment funding for expenses incurred by the Sheriff's Office were still pending at third quarter in Fiscal Year 2023, bringing revenue and the ratio as a percentage of year-end receipts was down that year.

Supporting a Strong and Safe Community Four-Year Revenue Comparison



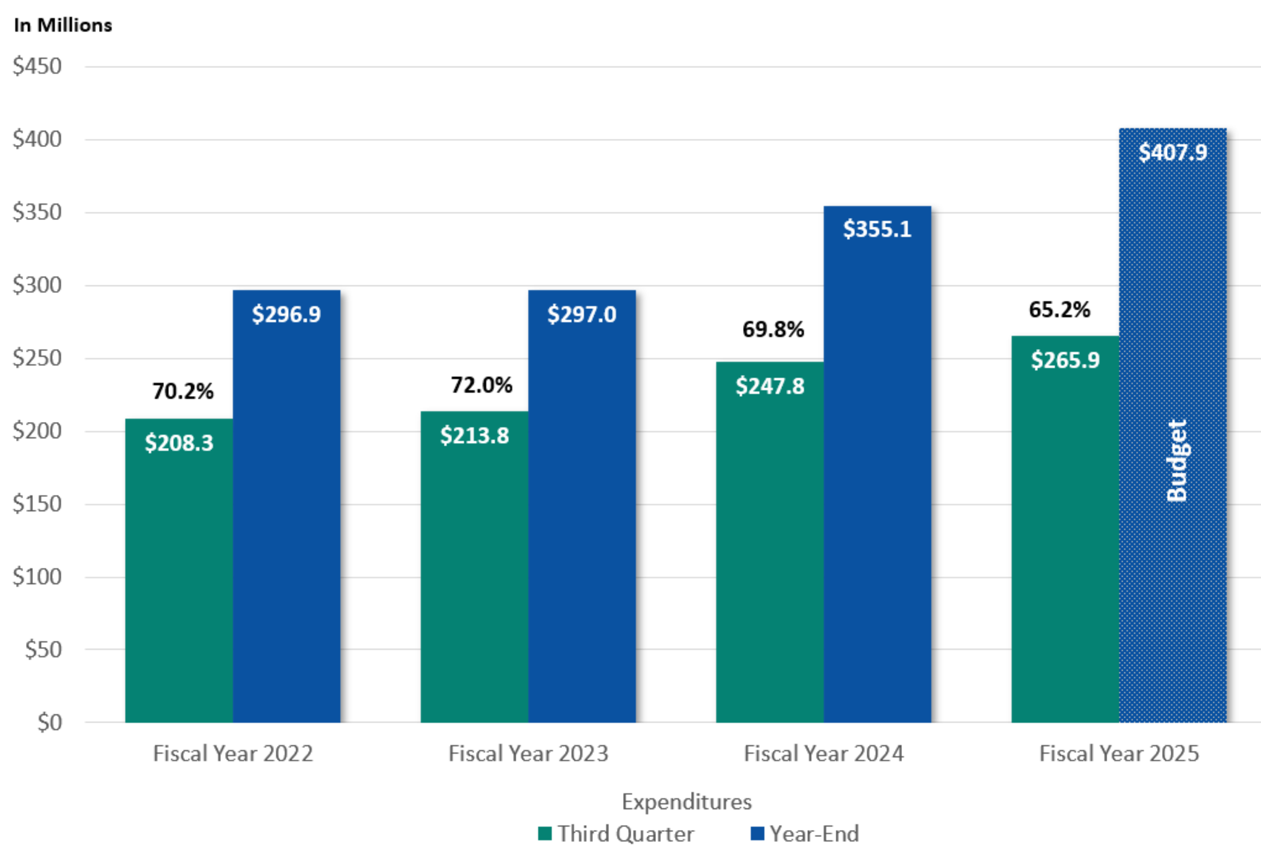
Departmental Expenditures

As of March 31, 2025, expenditures totaled $265.9 million, representing 65.2% of budgeted appropriations. This year-to-date percentage is below the historical range compared to the third quarter point of the prior three years, when expenditures ranged from 69.8% to 72% of the final actual expenditures.

Actual expenditures have increased over the prior year by $18.1 million, or 7.3%. This is primarily attributed to costs in Public Defender related to filling allocated positions and the expansion of the office into the old Civil Grand Jury space along with increases in the Sheriff's Office related to Cost Allocation Plan charges, approved fixed assets, and operating transfers out to the General Services Agency for the recreation yard project. Budgeted expenditures reflect an increase of $52.8 million, or 14.9%, over the prior year's actuals. Notably, the budget does not reflect a 5% vacancy rate adjustment as was the practice in previous years, thereby reflecting the full cost of funding all positions and maintaining full-service levels within the County.

Several budget units (Criminal Justice Facilities Fund, Courthouse Construction Fund, County Court Funding, DOJ Drug and Alcohol, Prop 69 – DNA Identification, and Integrated Criminal Justice Information System) were transferred out of this priority area and into *Delivering Efficient Public Services* in the 2023 Adopted Budget. These budgets accounted for $6.3 million of the third quarter actuals posted in Fiscal Year 2022 and $7.8 million of the final year-end actuals. Significant investments were made in Fiscal Years 2023 and 2024 in the Local Community Corrections budget in Probation, which allocates the 2011 Realignment funds supporting the Community Corrections Partnership (CCP) plan. These funds are reflected in multiple budgets within this priority, effectively doubling the expenditures and widening the gap in overall spending between Fiscal Years 2023 and 2024.

Supporting a Strong and Safe Community Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations in this report *Supporting a Strong and Safe Community* will increase appropriations by $3.3 million, funded by Net County Cost.

District Attorney

Adjustments for the District Attorney result in a net neutral impact to appropriations and estimated revenue.

Transfer Appropriations – The Criminal Division is experiencing cost savings related to salaries and benefits resulting from staff vacancies. While the Chief Executive Officer has authority to approve such transfers outside the budget process, this recommendation has been included for added transparency due to the focus on the use of salary savings up to the 5% standard vacancy rate. The Department has identified $434,000 in savings beyond the 5% salary savings from vacancies to fund the following one-time expenses through a transfer of appropriations:

- $200,000 to support information technology (IT) software and licensing costs;
- $144,000 to support a contract with Sicuro Data Analytics to manage a data pipeline that will support the Department's completed analytical data set and fulfill existing and future Public Record Act requests'
- $40,000 to support another contract with Sicuro Data Analytics to provide analysis and consulting for motions related to Assembly Bill 2542, the California Racial Justice Act;
- $30,000 for training newly hired attorneys and attorneys transitioning from prosecution of misdemeanor cases to felony cases; and
- $20,000 for witness expenses related to the prosecution of a triple homicide case.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
District Attorney - Criminal Division	$0	($434,000)	$0	($434,000)	Transfer Salaries and Benefits to Services and Supplies to support Public Records Act requests, Racial Justice Act, software, training, and witness travel (see below).
District Attorney - Criminal Division	$0	$200,000	$0	$200,000	Transfer appropriations to support increased software costs.
District Attorney - Criminal Division	$0	$144,000	$0	$144,000	Transfer appropriations for a contract with Sicuro Data Analytics related to fulfilling Public Records Act requests.
District Attorney - Criminal Division	$0	$40,000	$0	$40,000	Transfer appropriations for a contract with Sicuro Data Analytics related to the California Racial Justice Act.
District Attorney - Criminal Division	$0	$30,000	$0	$30,000	Transfer appropriations to support training expense for staff.
District Attorney - Criminal Division	$0	$20,000	$0	$20,000	Transfer appropriations to support witness travel required for testimony in triple homicide case.
Total	**$0**	**$0**	**$0**	**$0**	

Recommendation: It is recommended to transfer $434,000 in appropriations.

Staffing Recommendation: In 2025, an off-cycle request to study one vacant Manager II was submitted by the Department. The study has been completed, concluding with a recommendation to reclassify the position to block-budgeted Manager II/III to serve as Fiscal Manager.

Challenges and Opportunities

The **District Attorney's Office** has identified a challenge to its services related to the Racial Justice Act (AB 2542). This law allows for challenges to criminal cases by alleging statistical disparities in how people of different races are either charged, convicted, or sentenced of crimes. There are several substantial analytical data set issues resulting from this change to the law that will present challenges to the Department in the future. The Department will need the necessary analytic data available related to current changes in the law to provide consistent and ethical responses to this new law and to better serve the community.

Probation

Staffing Recommendation: It is recommended to study two Manager II – Safety positions to determine if the current duties and responsibilities are in alignment with the current classification designation.

Public Defender

Adjustments increasing appropriations by $604,700, funded by Net County Cost, are recommended for Public Defender.

Case Referral Costs – An increase in appropriations of $304,700, funded by Net County Cost, is recommended to address rising costs due to an increase in the number of cases conflicted out to the Alternate Defense Office and Contract Attorney Panel.

Case Fees – An increase in appropriations of $300,000, funded by Net County Cost, is recommended to address costs associated with a 13-year capital murder case, including attorney fees, expert fees, and witness costs.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Public Defender - Indigent Defense	$0	$304,700	$0	$304,700	Increase appropriations due to increased cases referred to Alternate Defender's Office (ADO) and Conflict Attorney Panel (CAP), funded by Net County Cost.
Public Defender - Indigent Defense	$0	$300,000	$0	$300,000	Increase appropriations for costs associated with a 13-year capital murder case, including attorney fees, expert fees, and witness costs, funded by Net County Cost.
Total	**$0**	**$604,700**	**$0**	**$604,700**	

Recommendation: It is recommended to increase appropriations by $604,700, funded by Net County Cost.

Staffing Recommendation: It is recommended to study the request to create a new classification of Client Support Services Supervisor.

Sheriff

Adjustments increasing appropriations and Net County Cost by $2.7 million are recommended for Sheriff.

Employee Recruitment and Retention Strategy – An increase in appropriations and Net County Cost by $1.2 million is recommended to support bonus payments under the County's Employee Recruitment and Retention Strategy. The increases are recommended as follows: $145,022 in the Administration budget, $649,492 in the Detention budget, and $434,260 in the Operations budget.

Microsoft Subscription – It is recommended to increase appropriations and Net County Cost by $504,138 in the Administration budget to support Microsoft subscription services, as approved by the Board of Supervisors on May 23, 2023 (Board Resolution 2023-0249).

Unanticipated Retirement Cash Outs – It is recommended that the cost of unanticipated retirement cash outs not included in the approved budget be supported. To support these costs, a total increase in appropriations of $486,227 is recommended to be split as follows: $96,970 in the Administration budget, $65,017 in the Court Security budget, $215,704 in the Detention budget, and $108,536 in the Operations budget. It is recommended to fund this recommendation with Net County Cost.

Labor Negotiations – On April 1, 2025 (Board Resolution 2025-0145), the Board of Supervisors approved a labor agreement between the County and the Stanislaus Sworn Deputies Association for the negotiated term of January 1, 2025, through December 31, 2028. It is recommended to increase appropriations by $9,746 in the Administration budget, $38,987 in the Court Security budget, and $387,113 in the Operations budget to support the costs of the new agreement. The Operations budget adjustment includes $42,747 for overtime. It is recommended to fund the increase in appropriations with Net County Cost for a total increase of $435,846.

Computer-Aided Dispatch – The Board of Supervisors authorized the procurement of computer-aided dispatch (CAD) licenses for the Sheriff to facilitate the Department's ability to connect with Stanislaus Regional 911 dispatch's new CentralSquare CAD system on March 11, 2025 (Board Resolution 2025-0121). An increase in appropriations of $125,000 in the Operations budget, funded by Net County Cost, is recommended to support the cost of these licenses.

Budget Correction – It is recommended to decrease appropriations by $80,238 in the Detention budget to correct the budget adjustment made in Board Resolution 2024-0588 from the October 15, 2024, meeting, which did not account for funds encumbered and rolled over from the prior year. This adjustment will benefit Net County Cost.

Contract Cities Fleet Maintenance Costs – Fleet maintenance costs for contract cities post to the Operations budget. Intradepartmental transfers are used to charge these costs out to the respective contract cities. A decrease in appropriations of $54,046, benefitting Net County Cost, is recommended in the Operations budget to align the budget with actual costs.

New Classification Costs – Recommendations in this report's staffing section include adding two new classifications and reclassifying several positions. An increase in appropriations of $9,027 is recommended in the Detention budget to support the additional cost of the recommendation. It is recommended that this increase be funded by Net County Cost.

Budget Unit Name	Recommended Budget Adjustment: Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Sheriff - Administration	$0	$96,970	$0	$96,970	Increase appropriations, funded by Net County Cost, for retirement cash-outs.
Sheriff - Administration	$0	$145,022	$0	$145,022	Increase appropriations, funded by Net County Cost, for Employee Recruitment and Retention Strategy bonus costs.
Sheriff - Administration	$0	$504,138	$0	$504,138	Increase appropriations, funded by Net County Cost, to support ongoing costs for Microsoft subscription services.
Sheriff - Administration	$0	$9,746	$0	$9,746	Increase appropriations, funded by Net County Cost, to support approeved wage increases between the County and the Stanislaus Sworn Deputies Association.
Sheriff - Court Security	$0	$65,017	$0	$65,017	Increase appropriations, funded by Net County Cost, for retirement cash-outs.
Sheriff - Court Security	$0	$38,987	$0	$38,987	Increase appropriations, funded by Net County Cost, to support approved wage between the County and the Stanislaus Sworn Deputies Association.
Sheriff - Detention	$0	$215,704	$0	$215,704	Increase appropriations, funded by Net County Cost, for retirement cash-outs.
Sheriff - Detention	$0	$649,492	$0	$649,492	Increase appropriations, funded by Net County Cost, for Employee Recruitment and Retention Strategy bonus costs.
Sheriff - Detention	$0	($80,238)	$0	($80,238)	Decrease appropriations, benefitting Net County Cost, to correct the budget adjustment made in Board Resolution 2024-0588.
Sheriff - Detention	$0	$9,027	$0	$9,027	Increase appropriations, funded by Net County Cost, to support increased costs associated with the new classifications Custody Technician and Supervisory Custody Technician.
Sheriff - Operations	$0	$108,536	$0	$108,536	Increase appropriations, funded by Net County Cost, for retirement cash-outs.
Sheriff - Operations	$0	$434,260	$0	$434,260	Increase appropriations, funded by Net County Cost, for Employee Recruitment and Retention Strategy bonus costs.
Sheriff - Operations	$0	($54,046)	$0	($54,046)	Decrease appropriations, benefitting Net County Cost, to right-size the budget to align with actual costs to service and maintain the Contract Cities' fleet.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Sheriff - Operations	$0	$125,000	$0	$125,000	Increase appropriations, funded by Net County Cost, to support the procurement of CentralSquare CAD licenses as approved in Board Resolution 2025-0121.
Sheriff - Operations	$0	$387,113	$0	$387,113	Increase appropriations, funded by Net County Cost, to support approved wage increases between the County and the Stanislaus Sworn Deputies Association.
Total	**$0**	**$2,654,728**	**$0**	**$2,654,728**	

Recommendation: It is recommended to increase appropriations by $2.7 million, funded by Net County Cost.

It is also recommended that transferability between the Sheriff's three General Fund budget units, specifically Administration, Detention, and Operations, be allowed to provide the Department with maximum capacity to balance the General Fund budgets to end the year in a positive position.

Staffing Recommendation: A request to study 21 block-budgeted Legal Clerk I/II/III positions, four Legal Clerk IV positions, and four block-budgeted Supervising Legal Clerk I/II positions in Detention was submitted by the Department and recommended for study in the 2024 Third Quarter Financial Report. The study has been completed, concluding with a recommendation to create a new two-level classification series: this series will include a Custody Technician, a journey-level classification with a salary range of $24.44 - $29.70 and a Supervising Custody Technician, a supervisory-level classification with a salary range of $29.53 - $35.90. Both classifications will be assigned to the Stanislaus County Employees Association (SCEA), American Federation of State, County and Municipal Employees (AFSCME Local #10). Additionally, it is recommended to reclassify 21 block-budgeted Legal Clerk I/II/III positions and four Legal Clerk IV positions to Custody Technician and four block-budgeted Supervising Legal Clerk I/II positions to Supervising Custody Technician.

Department Exposure: As noted in the priority overview, the Department has identified a potential exposure of $2.2 million, which it is working to mitigate. The Department submitted a request for additional support, but it was not recommended because it did not align with current budget year funding policies. In keeping with policy and Board-approved authorities, the offices of the Chief Executive Officer and Auditor-Controller will collaborate with the Sheriff's Office to ensure required payroll and vendor payments are processed in accordance with Generally Accepted Accounting Principles (GAAP). Since the Department budgets at risk of exceeding Board-approved authority are legal budget units in the General Fund, the County's General Fund will absorb any overages in Net County Cost as part of the year-end close process. A complete analysis will be conducted after the fiscal year has closed. If a deficit materializes, an update will be provided to the Board of Supervisors with the 2026 Adopted Budget for further policy direction. Consistent with prior year recommendations, the Chief Executive Officer will include a budget adjustment in the 2026 Adopted Budget to offset any exposure that materializes.

SUPPORTING A HEALTHY COMMUNITY

Aging and Veterans Services

Behavioral Health and Recovery Services

Child Support Services

Community Services Agency

Health Services Agency

Supporting a Healthy Community

Priority Overview

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

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

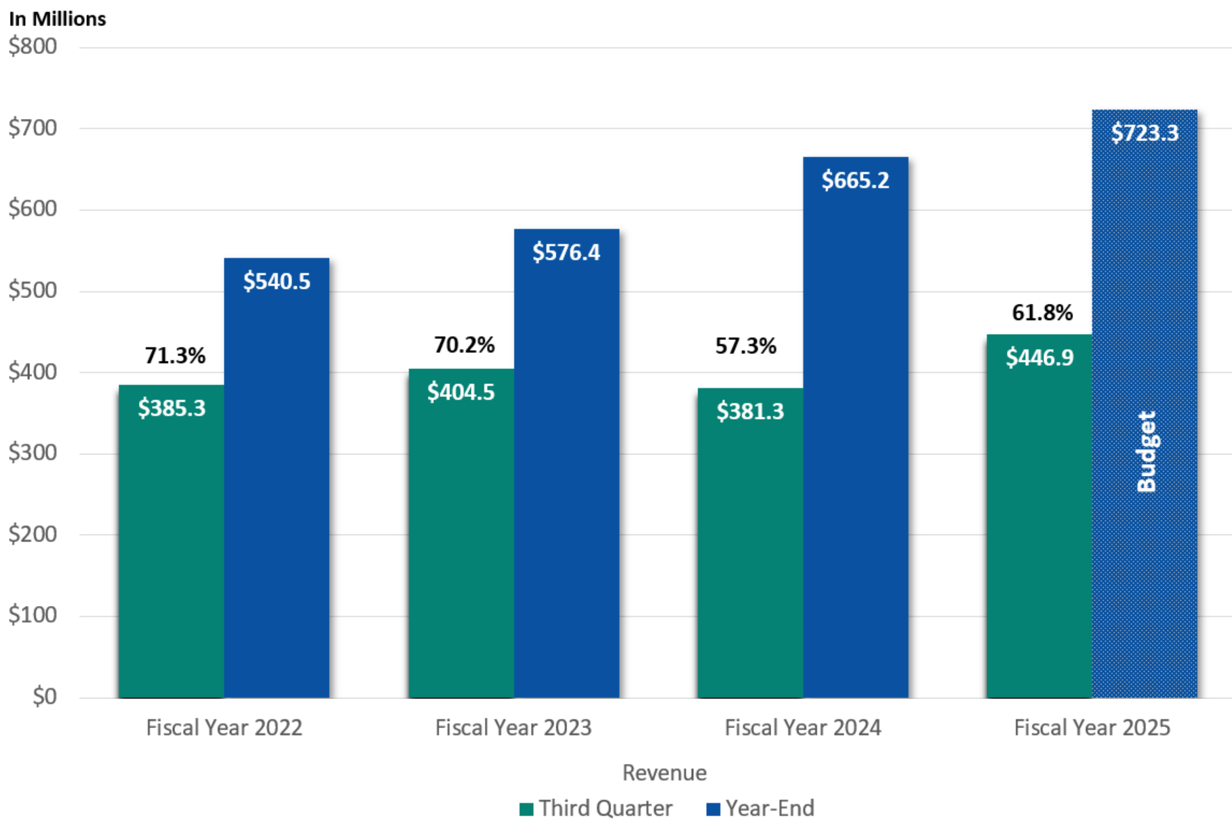
Recommendations contained in this report will increase appropriations by $5.1 million, revenue by $263,377, the use of fund balance by $4.8 million, and Net County Cost by $41,102 for departments *Supporting a Healthy Community*. Overall, departments within this priority are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the department budgets *Supporting a Healthy Community*, as of March 31, 2025, actual revenue collected totaled $446.9 million, representing 61.8% of the estimated annual revenue. This is within the historical range compared to revenue received as of the third quarter in the prior three years, when collections ranged from 57.3% to 71.3% of the year-end receipts.

Budgeted revenue for this priority area reflects an increase of $58.1 million, or 8.7%, over the prior year's actuals. This change is partially attributable to increases in Behavioral Health and Recovery Services grant-related and Federal Financial Participation (FFP) revenue and increases in the Community Services Agency related to anticipated growth. Actual revenue increased by $65.6 million, or 17.2%, over the prior year's actuals received as of the third quarter. This increase can be mostly attributed to increases in Behavioral Health and Recovery Services due to improvements allowing the department to recognize revenue monthly; an increase in Child Support Services due to delays in billings for Fiscal Year 2024, where only two months had been billed compared to all nine months in the current year, along with corrected billings received in the current year; and an increase in Health Services Agency's accrual of Intergovernmental Transfer (IGT) revenue that was not present in the prior year.

Supporting a Healthy Community Four-Year Revenue Comparison



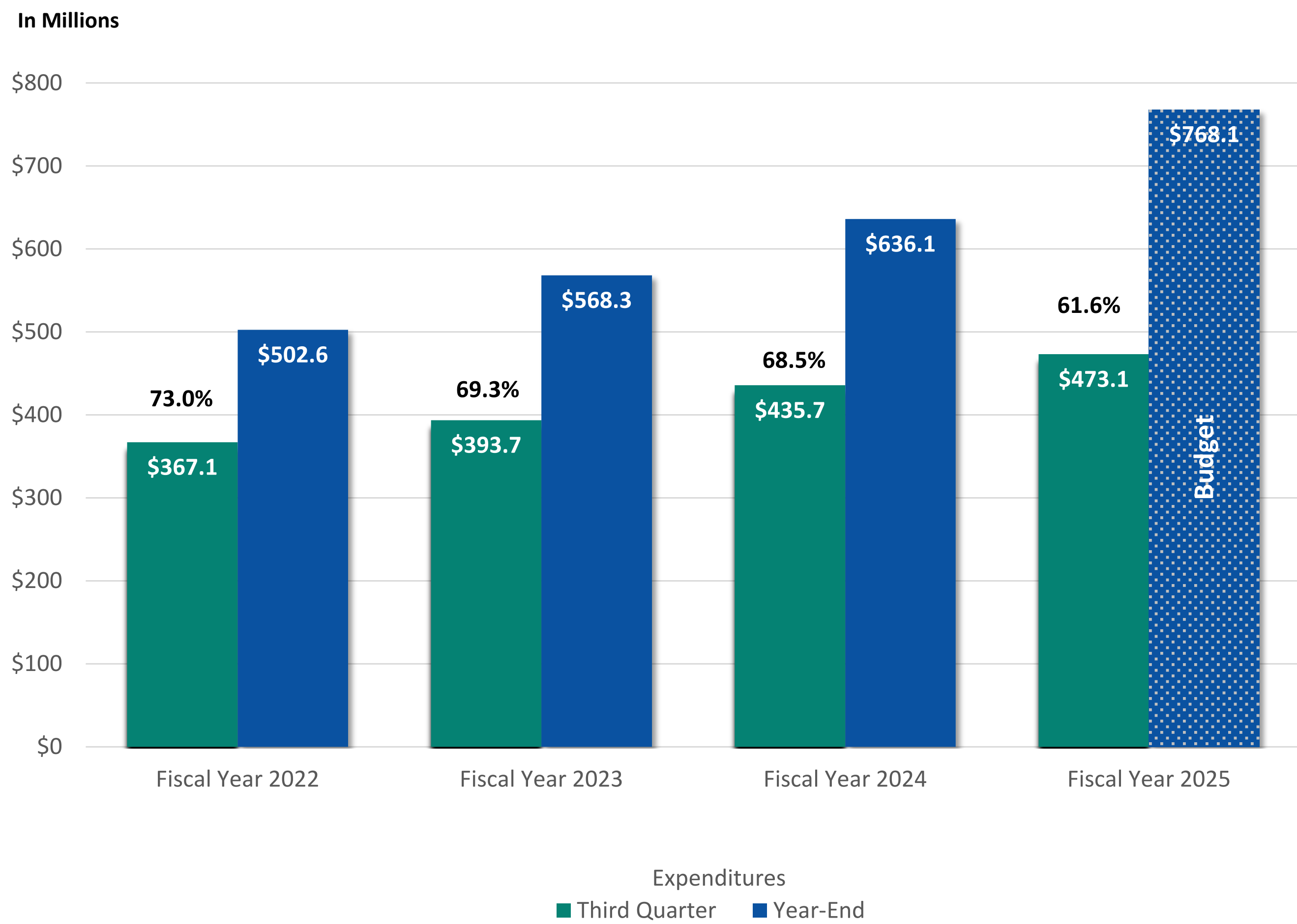
Departmental Expenditures

As of March 31, 2025, expenditures in this priority area totaled $473.1 million, representing 61.6% of budgeted appropriations. This is below the historical range compared to the third quarter point of the prior three years, when expenditures ranged from 68.5% to 73% of the year-end expenditures.

Budgeted expenditures represent an increase of $132 million, or 20.8%, over the prior year's actuals primarily due to various new programs, mandated initiatives, and historic State funding levels in Behavioral Health and Recovery Services (BHRS). Additionally, the Community Service Agency (CSA) anticipates increased budget utilization in the current fiscal year due to a focus on staff recruitment and retention, and spending related to Homeless Housing, Assistance, and Prevention (HHAP) funding.

Actual expenditures through the third quarter point increased by $37.4 million, or 8.6%, over Fiscal Year 2024 primarily due to spending in BHRS and CSA. Improved invoice processing in BHRS, reduced vacancy rates in CSA, caseload growth, and increased costs in CSA-mandated programs largely account for the increase.

Supporting a Healthy Community Four-Year Expenditures Comparison



Third Quarter and Recommendations

The recommendations in this report *Supporting a Healthy Community* will increase appropriations by $5.1 million. Budget adjustments are funded by a $263,377 increase in estimated revenue, a $4.8 million increase in the use of fund balance, and a $41,102 increase in Net County Cost.

Aging and Veterans Services

Adjustments increasing appropriations by $45,520, funded by $4,418 in estimated revenue and $41,102 in Net County Cost, are recommended for Aging and Veterans Services (AVS).

Retirement Cash-Out – A net increase in appropriations of $38,658, funded by Net County Cost, is recommended to support a retirement cash-out in the Veterans Services and Stanislaus Veterans Center budgets.

Group Health Insurance – An increase in appropriations of $5,288, funded by Net County Cost, is recommended to support group health insurance cost increases in the Veterans Services budget.

Employee Recruitment and Retention Strategy – An increase in appropriations of $1,574, funded by Net County Cost, is recommended to support costs associated with the County's Employee Retention and Recruitment Strategy in the Stanislaus Veterans Center budget.

Rents and Concessions – A one-time increase in rents and concessions revenue of $4,418 is recommended for the Stanislaus Veterans Center budget, benefiting Net County Cost.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
AVS - Veterans Services	$0	$28,016	$0	$28,016	Increase appropriations due to retirement cash-outs, funded by Net County Cost.
AVS - Veterans Services	$0	$5,288	$0	$5,288	Increase appropriations due to increase in group health insurance costs, funded by Net County Cost.
AVS - Stanislaus Veterans Center	$0	$10,642	$0	$10,642	Increase appropriations due to retirement cash-outs, funded by Net County Cost.
AVS - Stanislaus Veterans Center	$0	$1,574	$0	$1,574	Increase appropriations due to Employee Choice Bonus Plan costs, funded by Net County Cost.
AVS - Stanislaus Veterans Center	$4,418	$0	$0	($4,418)	Increase estimated revenue from rents and concessions, benefiting Net County Cost.
Total	**$4,418**	**$45,520**	**$0**	**$41,102**	

Recommendation: It is recommended to increase appropriations by $45,520, funded by $4,418 in estimated revenue and $41,102 in Net County Cost.

Challenges and Opportunities

Aging and Veterans Services has identified several challenges and opportunities on which to track over the coming months and year, specifically related to funding and space issues. Funding from the American Rescue Plan Act (ARPA) is set to expire in September 2025, which will present a challenge to offset costs associated with senior meals, preventive services, family caregiver programs, and Ombudsman services. Funding from the Modernizing Older Californians Act will end in March 2026, which has funded fall prevention services, home sharing/housing vouchers, and family caregiver respite. In addition, the Program to Encourage Active, Rewarding Lives (PEARLS) will end in June 2026, which supports older adults who experience depression and isolation by providing them with skills building and problem-solving capability. Additionally, the Veterans Center lease is set to expire in April 2027 and financial contributions from the City of Modesto will also end in 2027; the challenge will be to identify additional revenue or explore other space options. Since the passage of the Older Californians Act (SB 1249), signed into law in September 2024, the State is reviewing the funding allocation formula which could adversely impact smaller Area Agencies on Aging. The department has noted that anticipated revenue reductions may impact future operations.

Opportunities to mitigate exposures to AVS programs and services may become available related to the master plan on Aging described in the Community Services Agency (CSA) section of this report.

Behavioral Health and Recovery Services

Adjustments increasing appropriations by $3.8 million, funded with the use of departmental fund balance, are recommended for Behavioral Health and Recovery Services (BHRS).

Doctor's Behavioral Health Center Contract – The Department entered a contract with Doctor's Behavioral Health Center (DBHC) before the State issued Medi-Cal reimbursement rates, which are less than the agreed-upon reimbursement rate with the vendor. The Department has agreed to reimburse the vendor the difference between the two rates. An adjustment was made with the 2025 Midyear Financial Report to support the first two invoices. A new invoice has been received to cover the period from July 2024 through the middle of March 2025. An appropriations increase of $2.1 million, funded using departmental fund balance, is recommended to support this reimbursement. The Department anticipates being able to absorb future invoices for the balance of the fiscal year. The Managed Care budget will pay the vendor, and the Behavioral Health and Recovery Services budget will reimburse the Managed Care budget with existing fund balance.

Unallowed Medi-Cal Payments – Medi-Cal pays the federal and non-federal share of psychiatric inpatient hospital services. The non-federal share is initially funded by the State's general fund and later reimbursed by subtracting the expenditure amount from each county's Mental Health Subaccount in the Sales Tax Account of the Local Revenue Fund. The State did not fully reimburse itself for all psychiatric inpatient hospital services expenditures between calendar years 2011 and 2020. In addition, the State has identified claims for ineligible covered benefits, specifically amounts associated with qualified non-citizens subject to the five-year bar and individuals who are Permanent Residents or Permanently Residing Under Color of Law. The California Department of Health Care Services (DHCS) identified incorrect claims for Medicaid Children's Health Insurance Program (MCHIP) members in which claims for emergency services were paid at an enhanced rate instead of the 50% Federal Medical Assistance Percentage (FMAP) in Fiscal Year 2022. DHCS is recouping costs from counties across the State. Stanislaus County's share of the cost is $1.7 million in Fiscal Year 2025 and roughly $850,000 for Budget Year 2026. An appropriations increase of $1.7 million is recommended to support this cost in the current fiscal year and will be funded using the department's fund balance. The Managed Care budget will pay DHCS, and the Behavioral Health and Recovery Services budget will reimburse the Managed Care budget with existing fund balance.

Electronic Health Record System Support – It is recommended that two block-budgeted Technology Specialist I/II positions be transferred from Information Technology Central (ITC) to provide tier-2 support for the Department's SmartCare electronic health record (EHR) system. These positions were initially transferred to ITC as part of the managed care model. It has been determined that the Department would be better served by retaining these positions. A budget adjustment increasing appropriations by $18,785 to receive the two positions is offset by an equal reduction in Cost Allocation Plan (CAP) charges to ITC.

	Recommended Budget Adjustment				
Budget Unit Name	**Revenue**	**Appropriations**	**Fund Balance/ Retained Earnings**	**Net County Cost/General Fund Contribution**	**Description**
Behavioral Health and Recovery Services	$0	$18,785	$18,785	$0	Increase appropriations, funded with fund balance, to add two Technology Specialist II positions from ITC.
Behavioral Health and Recovery Services	$0	($18,785)	($18,785)	$0	Decrease appropriations, benefitting fund balance, to recognize reduced services provided by ITC due to transferring the two Technology Specialist II positions.
Behavioral Health and Recovery Services	$0	$2,100,000	$2,100,000	$0	Increase appropriations, funded with fund balance, to transfer cash to the Managed Care budget to support the DBHC contract difference.
Behavioral Health and Recovery Services	$0	$1,700,000	$1,700,000	$0	Increase appropriations, funded with fund balance, to transfer cash to the Managed Care budget to support the DHCS recoupments.
Behavioral Health and Recovery Services - Managed Care	$0	$2,100,000	$2,100,000	$0	Increase appropriations, funded with fund balance, to support the Doctor's Behavioral Health Center contract difference.
Behavioral Health and Recovery Services - Managed Care	$0	($2,100,000)	($2,100,000)	$0	Decrease appropriations, benefitting fund balance, to receive cash from the BHRS budget to support the DBHC contract difference.
Behavioral Health and Recovery Services - Managed Care	$0	$1,700,000	$1,700,000	$0	Increase appropriations, funded with fund balance, to transfer cash to the Managed Care budget to support the DHCS recoupments.
Behavioral Health and Recovery Services - Managed Care	$0	($1,700,000)	($1,700,000)	$0	Decrease appropriations, benefitting department fund balance, to receive cash from the BHRS budget to support the DHCS recoupments.
Total	**$0**	**$3,800,000**	**$3,800,000**	**$0**	

Recommendation: It is recommended to increase appropriations by $3.8 million, funded by departmental fund balance.

Staffing Recommendation: It is recommended transfer in two block-budgeted Technology Specialist I/II positions from ITC to provide tier-2 support for the SmartCare Electronic Health Record system.

Child Support Services

Staffing Recommendation: A request to reclassify one block-budgeted Accountant I/II to Accountant III was submitted by the Department and recommended for study in the 2025 Midyear Financial Report. The study has been completed, concluding with a recommendation to reclassify the position to Accountant III.

Community Services Agency

Adjustments increasing appropriations by $901,472, funded with $258,959 in estimated revenue and $642,513 in the use of departmental fund balance, are recommended for the Community Services Agency.

Right-Size In-Home Supportive Services Budgets – It is recommended to increase appropriations by $269,383 in the In-Home Supportive Services (IHSS) Public Authority – Benefits budget and $632,089 in the IHSS Provider Wages budget to support the maintenance of effort (MOE) with the State and to cover the cost of a prior year expense that was not accrued. An increase in 1991 Realignment revenue will support the increase in appropriations. To free up 1991 Realignment revenue, a decrease in the use of estimated revenue by $642,513 is recommended in the Program Services and Support budget. It is recommended to increase the use of Department fund balance to offset the decrease in revenue.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Community Services Agency - IHSS Public Authority - Benefits	$269,383	$269,383	$0	$0	Increase appropriations, funded with estimated revenue, to support increased costs of IHSS benefits and MOE payment.
Community Services Agency - In-Home Supportive Services	$632,089	$632,089	$0	$0	Increase appropriations, funded with estimated revenue, to support increased MOE payments.
Community Services Agency - Program Services and Support	($642,513)	$0	$642,513	$0	Decrease estimated revenue to transfer to IHSS budgets, funded with the use of fund balance.
Total	**$258,959**	**$901,472**	**$642,513**	**$0**	

Recommendation: It is recommended to increase appropriations by $901,472, funded by $258,959 in estimated revenue and the use of $642,513 in departmental fund balance.

It is also recommended that transferability of General Fund Contribution between the following budgets be allowed: Program Services and Support, General Assistance, IHSS Public Authority Benefits, IHSS Provider Wages, and Public Economic Assistance. Transferability is recommended to provide the Department with maximum capacity to balance the budgets and end the year in a positive position.

Challenges and Opportunities

The **Community Services Agency (CSA)** has identified some challenges and opportunities covering program areas in In-Home Supportive Services (IHSS) and potentially new program areas forthcoming from the County's Age-Friendly Action Plan (Master Plan on Aging). CSA has experienced increased costs associated with IHSS and mandated legislative requirements. With the new Master Plan on Aging focusing on several action areas—food security, healthy aging and wellness, housing and homelessness, and information and communications—there is an opportunity to further improve the lives of older adults though improved and expanded services and programs.

Health Services Agency

Adjustments increasing appropriations by $332,231, funded with the use of departmental fund balance, are recommended for the Health Services Agency.

State's Share of Court Revenue – The State Controller's Office (SCO) audited Stanislaus County's court revenue for the period of July 1, 2018, through June 30, 2022. The audit found that the County had under remitted a net of $506,750 in State court revenues to the State Treasurer. An adjustment to increase appropriations by a total of $332,231 is recommended for the Department to remit its share of the under remittance. The increase in appropriations will be split, with $166,119 in the IHCP-Emergency Medical Services Hospitals budget and $166,112 in the IHCP-Emergency Medical Services Physicians budget. This recommendation is funded with departmental fund balance.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Health Services Agency - IHCP-Emergency Medical Services Hospitals	$0	$166,119	$166,119	$0	Increase appropriations, funded with fund balance, to support a payment to the State for the underremittance of the State's share of court revenue.
Health Services Agency - IHCP-Emergency Medical Services Physicians	$0	$166,112	$166,112	$0	Increase appropriations, funded with fund balance, to support a payment to the State for the underremittance of the State's share of court revenue.
Total	**$0**	**$332,231**	**$332,231**	**$0**	

Recommendation: It is recommended to increase appropriations by $332,231, funded using departmental fund balance.

Staffing Recommendation: It is recommended to study one Confidential Assistant III to determine if the current duties and responsibilities are in alignment with the current classification designation.

DEVELOPING A HIGH-PERFORMING ECONOMY

Agricultural Commissioner

UC Cooperative Extension

Workforce Development

Developing a High-Performing Economy

Priority Overview

The Board of Supervisors' priority area of *Developing a High-Performing Economy* recognizes the critical role that County government can play in promoting, protecting, and sustaining our agricultural economy, while providing for more diversified economic opportunities, all to 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 *Developing a High-Performing Economy*. Departments and programs assigned to this priority area include the Agricultural Commissioner, the University of California (UC) Cooperative Extension, and Workforce Development.

Departments in this priority recognize the vital role of the County's number one industry, agriculture, which generates billions of dollars in value of agricultural commodities per year. Farmland conversion, air pollution mitigation, soil salinity and drainage, agricultural water supply and water quality, and preservation of the County's unique agricultural heritage are key aspects of *Developing a High-Performing Economy*. Stanislaus County is an international agri-business powerhouse. The 2023 Stanislaus County Agricultural Report notes that the total gross value of agricultural production was $3.4 billion, ranking 8th out of 3,078 U.S. Counties with Agricultural Sales.

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

While the agricultural industry is a significant economic driver in the County, regional economic development strategies are in place to increase economic diversity. Initiatives include job creation, business assistance and retention, demand-driven workforce readiness and innovation.

There are no recommended budget adjustments for this priority at third quarter. Overall, the departments within the priority *Developing a High-Performing Economy* are on track to end the year within budgeted appropriations and in a positive fiscal position.

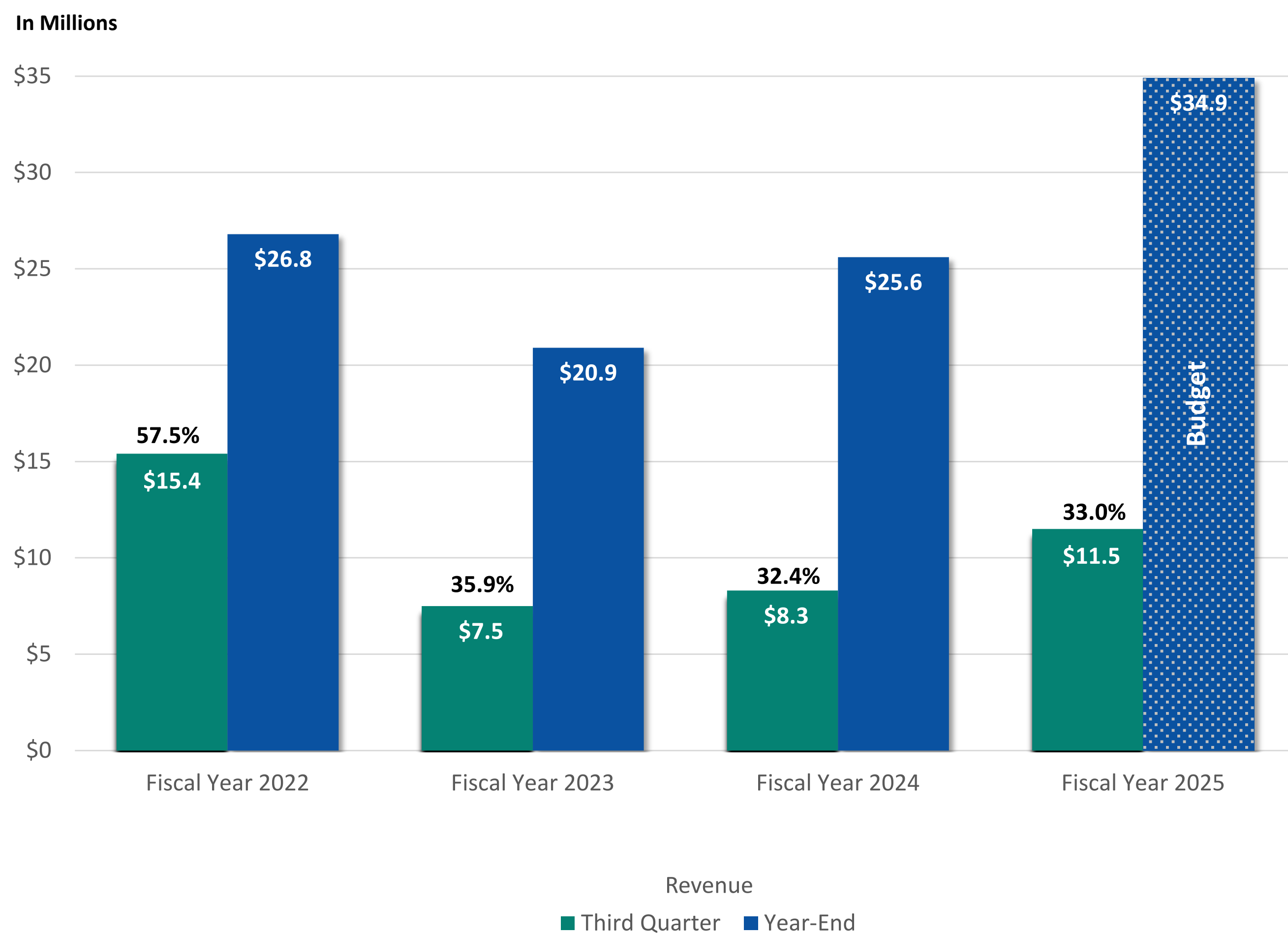
Departmental Revenue

For the department budgets *Developing a High-Performing Economy,* as of March 31, 2025, actual revenue collected totaled $11.5 million, representing 33% of the estimated annual revenue. This is within the historical range compared to revenue received as of the third quarter in the prior three years, when collections ranged from 32.4% to 57.5% of the year-end receipts.

Budgeted revenue reflects an increase of $9.3 million, or 36.3%, over the prior year's actuals. This increase is primarily made up of additional reimbursement-based revenue for Workforce Development.

Various County Operations budgets that were historically housed in this priority area were moved to the *Delivering Efficient Public Services* priority area in Fiscal Year 2023, explaining the visual dip in that year; Fiscal Years 2023 through 2025 reflect the remaining three department budgets and their respective historical data.

Developing a High-Performing Economy Four-Year Revenue Comparison



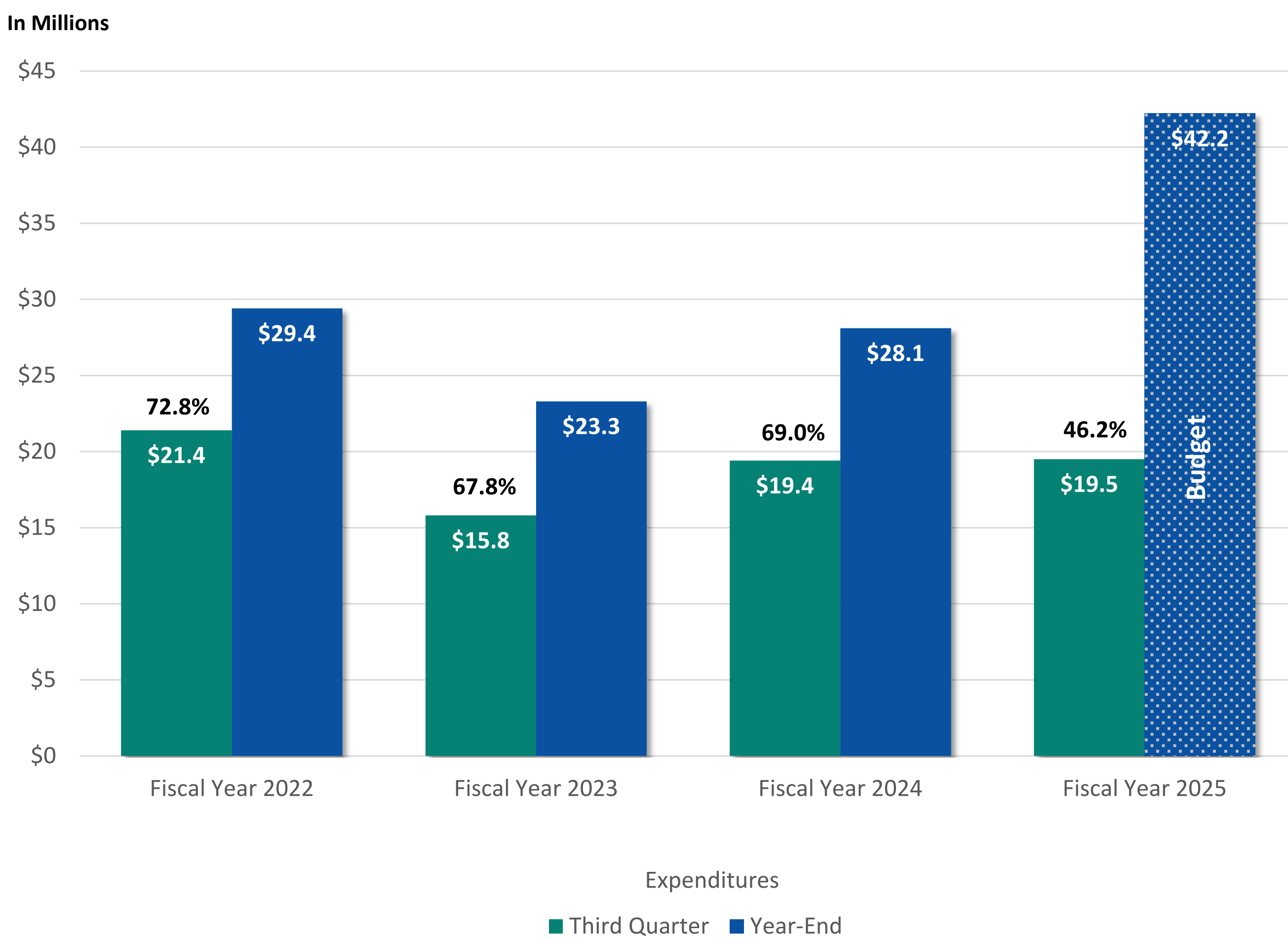
Departmental Expenditures

As of March 31, 2025, expenditures in this priority area totaled $19.5 million, representing 46.2% of budgeted appropriations. This is below the historical range compared to the third quarter point of the prior three years, when expenditures ranged from 67.8% to 72.8% of the year-end expenditures.

For the department budgets *Developing a High-Performing Economy,* budgeted appropriations reflect a net increase of $14.1 million, or 50.2%, over the prior year's actuals. This increase is primarily made up of additional reimbursement-based activities for Workforce Development this fiscal year, significantly increasing overall estimated appropriations for this priority area. Expenditures to date for this priority are below the three-year historical range, primarily due to costs for Workforce Development coming in lower than anticipated at third quarter, impacting the ratio of expended costs to budgeted appropriations.

As noted in the revenue section, various County Operations budgets that were previously housed in this priority area were moved to the *Delivering Efficient Public Services* priority in Fiscal Year 2023, explaining the visual dip in that year; Fiscal Years 2023 through 2025 reflect the remaining three department budgets and their respective historical data.

Developing a High-Performing Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

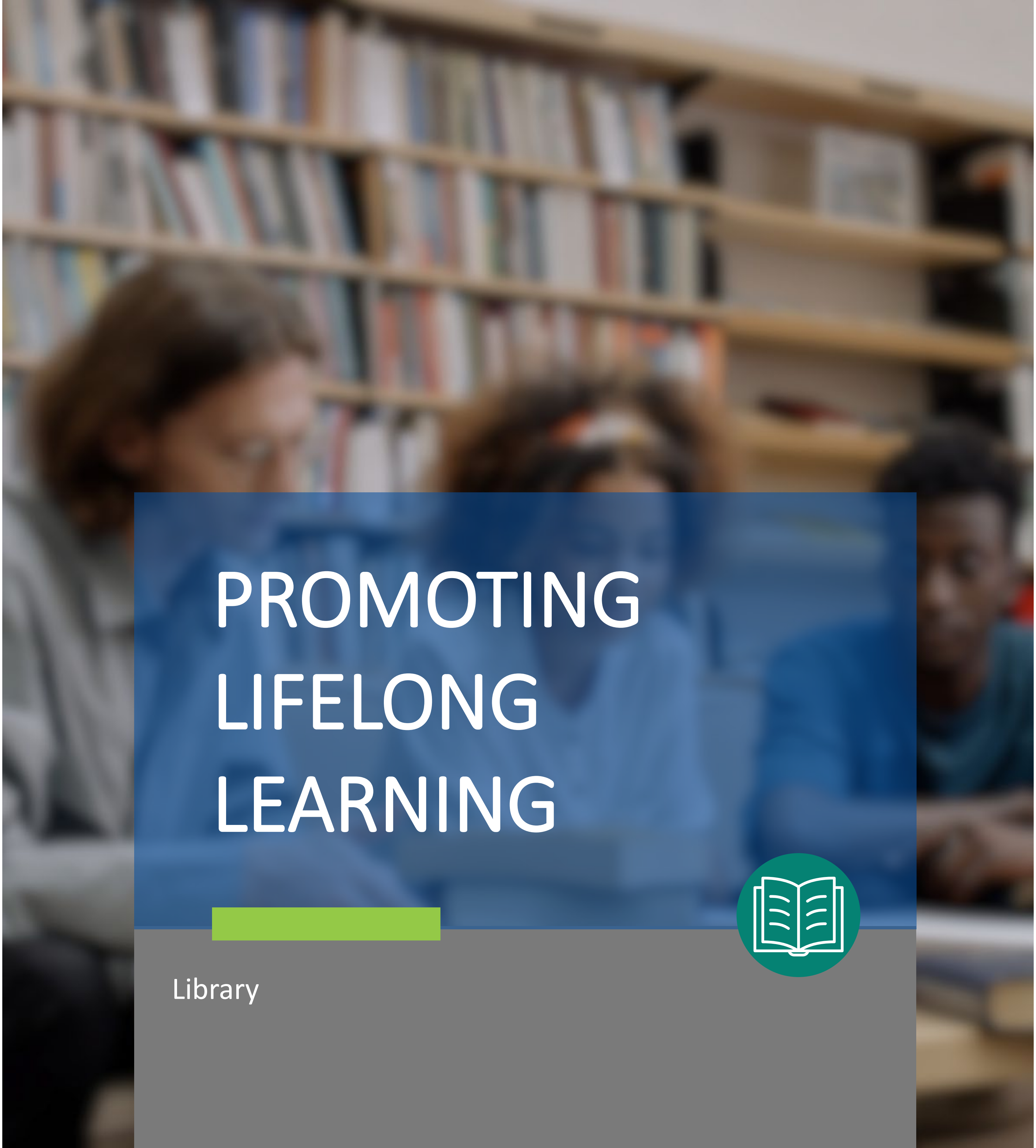
There are no recommended budget adjustments for the priority *Developing a High-Performing Economy.*

Agricultural Commissioner

Staffing Recommendation: A request to reclassify one Confidential Assistant III to Confidential Assistant IV was submitted by the Department and recommended for study in the 2025 Midyear Financial Report. The study has been completed, concluding with a recommendation to reclassify the position to Confidential Assistant IV to supervise the office staff and functions, provide Executive Assistant support, and maintain Human Resources administrative duties.

Additionally, a request to study one Agricultural Weights and Measures Inspector IV and reclassify three vacant positions: one Deputy Agricultural Commissioner/Sealer, one block-budgeted Agricultural Weights and Measures Inspector I/II/III, and one block-budgeted Agricultural Assistant I/II was submitted by the Department. The request was also recommended for study in the 2025 Midyear Financial Report. The study has been completed, resulting in a recommendation to change the classification name to Supervising Agricultural Weights and Measures Inspector to serve as a working supervisor, carrying a reduced caseload in the Pesticide Use Enforcement (PUE) unit. A 3% base wage increase is also recommended for the Supervising Agricultural Weights and Measures Inspector.

Furthermore, it is recommended to reclassify one Deputy Agricultural Commissioner/Sealer, one block-budgeted Agricultural Weights and Measures Inspector I/II/III, and one block-budgeted Agricultural Assistant I/II to Supervising Agricultural Weights and Measures Inspector. One position will serve as the second supervisor in the PUE unit to improve program supervision and staff development, one position will provide first-line supervision and support for the Pest Exclusion, Export, Nursery, Seed, and Apiary programs, and one position will provide first-line supervision and support for the Pest Detection, Glassy-Winged Sharpshooter and Commodity (FNV) Standardization programs.



PROMOTING LIFELONG LEARNING

Library

Promoting Lifelong Learning

Priority Overview

The Library is the department responsible for supporting the Board of Supervisors' priority of *Promoting Lifelong Learning*. The Department serves members of the community and provides valuable services to local agencies and other County departments.

The Library is responsible for implementing *Promoting Lifelong 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 literary services to adults, workforce readiness programs, resources for veterans and their families, and outreach services beyond the physical walls of libraries, including online e-resources and community outreach activities such as home delivery service for customers who are unable to come to the Library due to advanced age, injury, or illness. The Library also offers unique services such as the Veterans Resource Center, passport application processing, and programs for job seekers.

The Library is primarily funded by a voter-approved 1/8-cent sales tax to support Library operations. The voter-approved 1/8-cent sales tax was extended for 12 years when Measure S passed in the November 7, 2017, election. In Fiscal Years 2023, 2024, and 2025, the Library budget was significantly increased by a total of $10 million, with the implementation of Building Community Services Investment (BCSI) General Fund support to address various needs in the library system as part of an organization-wide three-year strategic initiative. The investment supports targeted projects which will directly contribute to the local quality of life, community wellness, and strategic facility planning.

There are no recommended budget adjustments for this priority at third quarter. The Library is on track to end the year within budget and in a positive fiscal position.

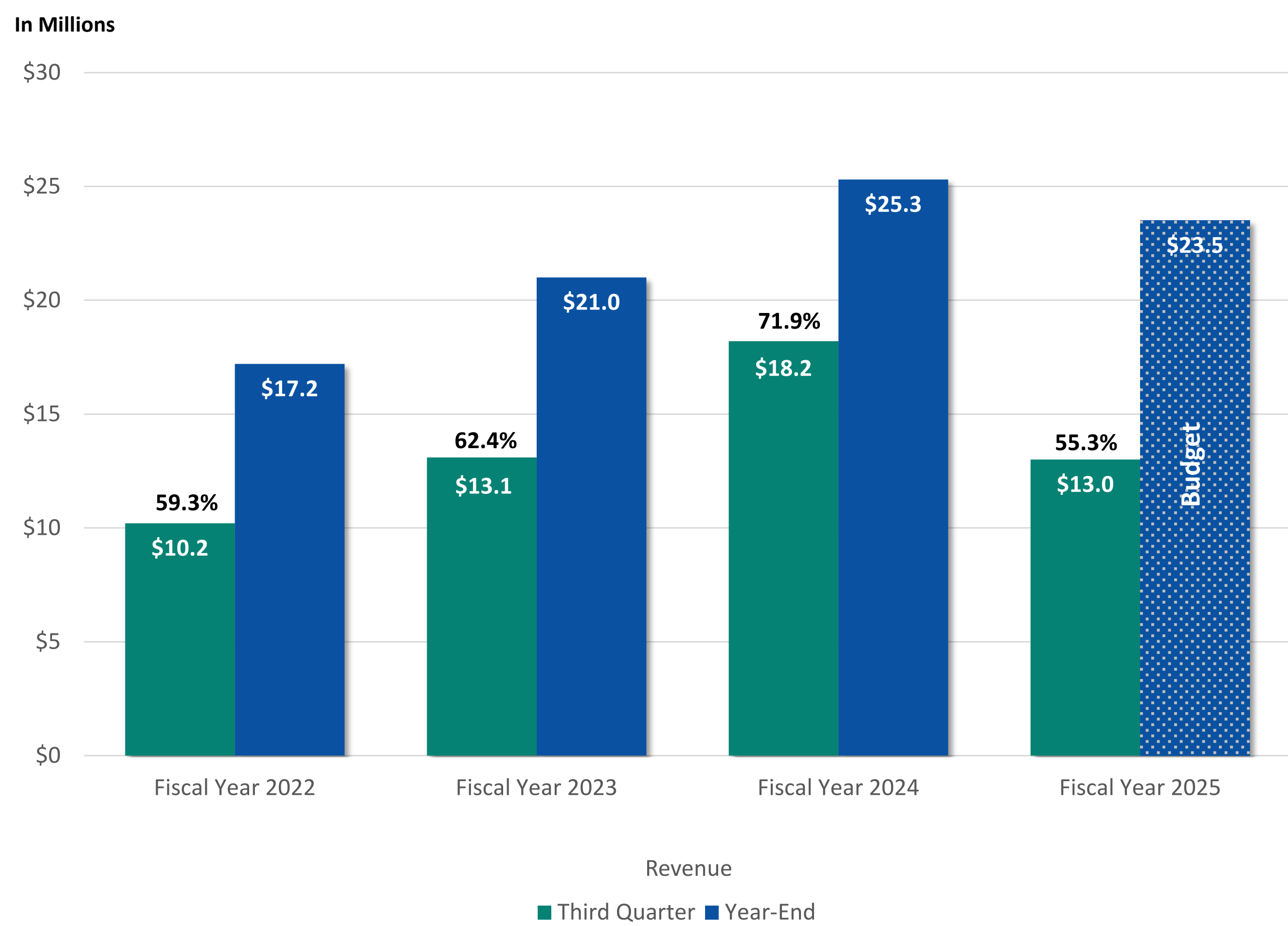
Departmental Revenue

For the department budget *Promoting Lifelong Learning,* as of March 31, 2025, actual revenue collected totaled $13 million, representing 55.3% of the estimated annual revenue. This is below the historical range compared to revenue received as of the third quarter point in the prior three years, when collections were 59.3% to 71.9% of the final revenue receipts.

Budgeted revenue reflects a decrease of $1.8 million, or 7.1%, from the prior year's actuals. Of note, total budgeted revenue in Fiscal Year 2024 includes $3.5 million each in Building Community Services Investment (BCSI) General Fund support for Fiscal Years 2023 and 2024. The final $3 million in BCSI support is reflected in Fiscal Year 2025 budgeted revenue.

The Library anticipated receipt of a $4 million second installment of the Building Forward Library Facilities Improvement Program State grant in Fiscal Year 2025, which would have brought the department within the historical range at the third quarter point; however, the second installment will not be issued until the Library has expended the original $10 million installment received in Fiscal Year 2024. Building Forward funds are available through December 2027.

Promoting Lifelong Learning Four-Year Revenue Comparison



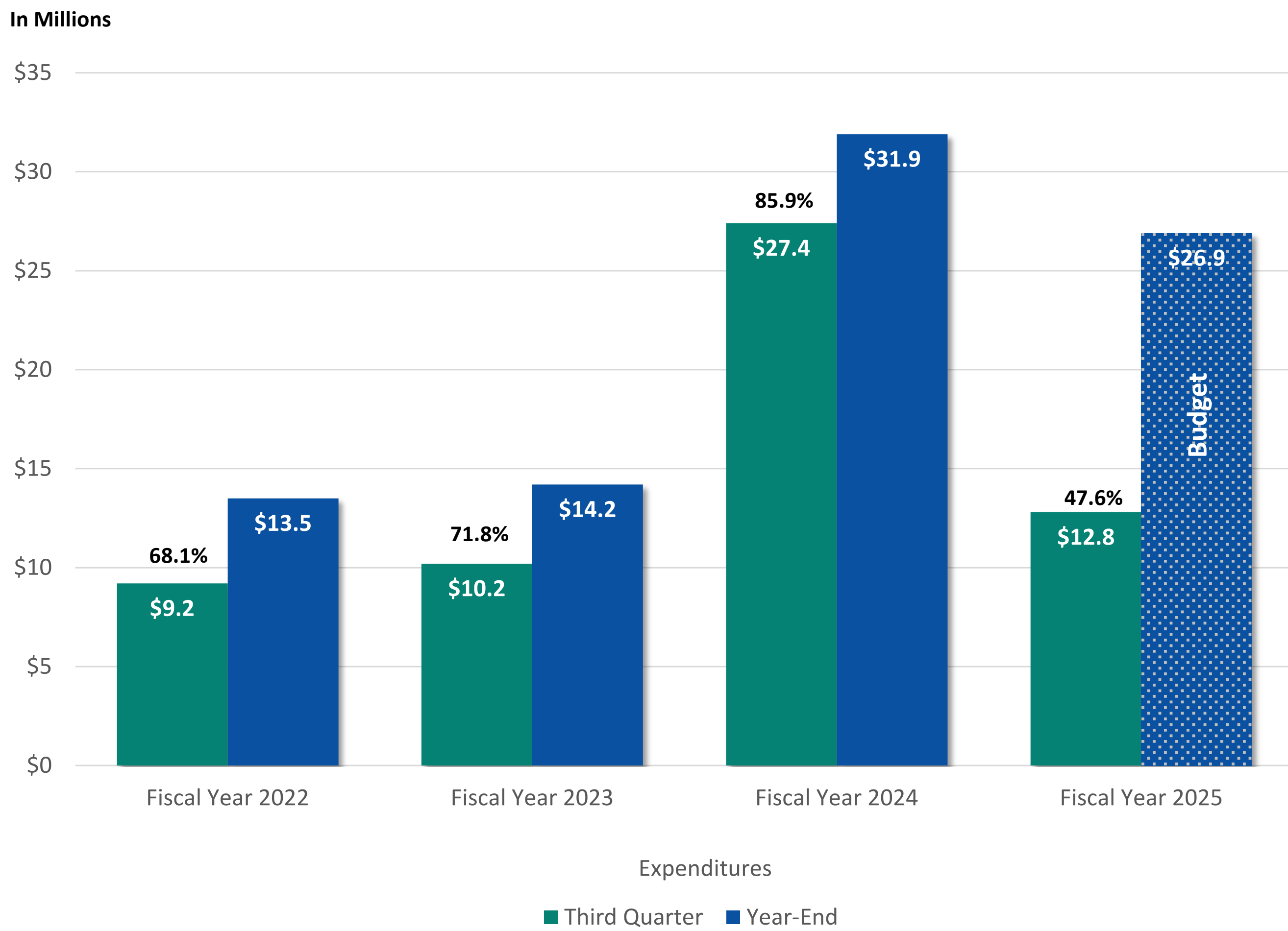
Departmental Expenditures

As of March 31, 2025, expenditures in this priority area totaled $12.8 million, representing 47.6% of budgeted appropriations. This is below the historical range compared to the third quarter point of the prior three years, when expenditures ranged from 68.1% to 85.9% of the final actual expenditures.

Budgeted expenditures represent a decrease of $5 million, or 15.7%, below the prior year's actuals. Of note, the Library increased its budget by $17.7 million in the 2024 Adopted Budget, including $7 million to account for years one and two Building Community Services Investment (BCSI) funding and $5 million as part of the Library Building Forward Grant. The final $3 million allocation of the three-year $10 million BCSI commitment was appropriated in the 2025 Adopted Budget.

Increases in budgeted costs in Fiscal Years 2024 and 2025 are partly due to facilities projects at the Modesto, Newman, and Riverbank Library branches. Approximately $8 million has been allocated for these projects but remains unspent due to project timing. To date, the Library has only incurred administrative costs for the Modesto Library Renovation project, though construction is set to begin in May or June 2025.

Promoting Lifelong Learning Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

There are no recommended budget adjustments for the priority *Promoting Lifelong Learning.*

DELIVERING EFFICIENT PUBLIC SERVICES

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

Delivering Efficient Public Services

Priority Overview

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

Departments assigned to the Board of Supervisors' priority area of *Delivering Efficient Public Services* include the Assessor, Auditor-Controller, Board of Supervisors, Chief Executive Office, CEO – Human Relations, Clerk-Recorder, County Counsel, County Operations budgets, General Services Agency, Information Technology Central, and Treasurer-Tax Collector. These departments serve members of the community while also providing valuable services to local agencies and other County departments. The revenue used to pay for many 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.

Recommendations contained in this report will decrease appropriations by $11.1 million, increase revenue by $16.2 million, and decrease the use of fund balance/retained earnings by $12.7 million, resulting in a decrease of $14.6 million in Net County Cost for departments *Delivering Efficient Public Services*. Overall, departments within this priority are on track to end the year within budget and in a positive fiscal position

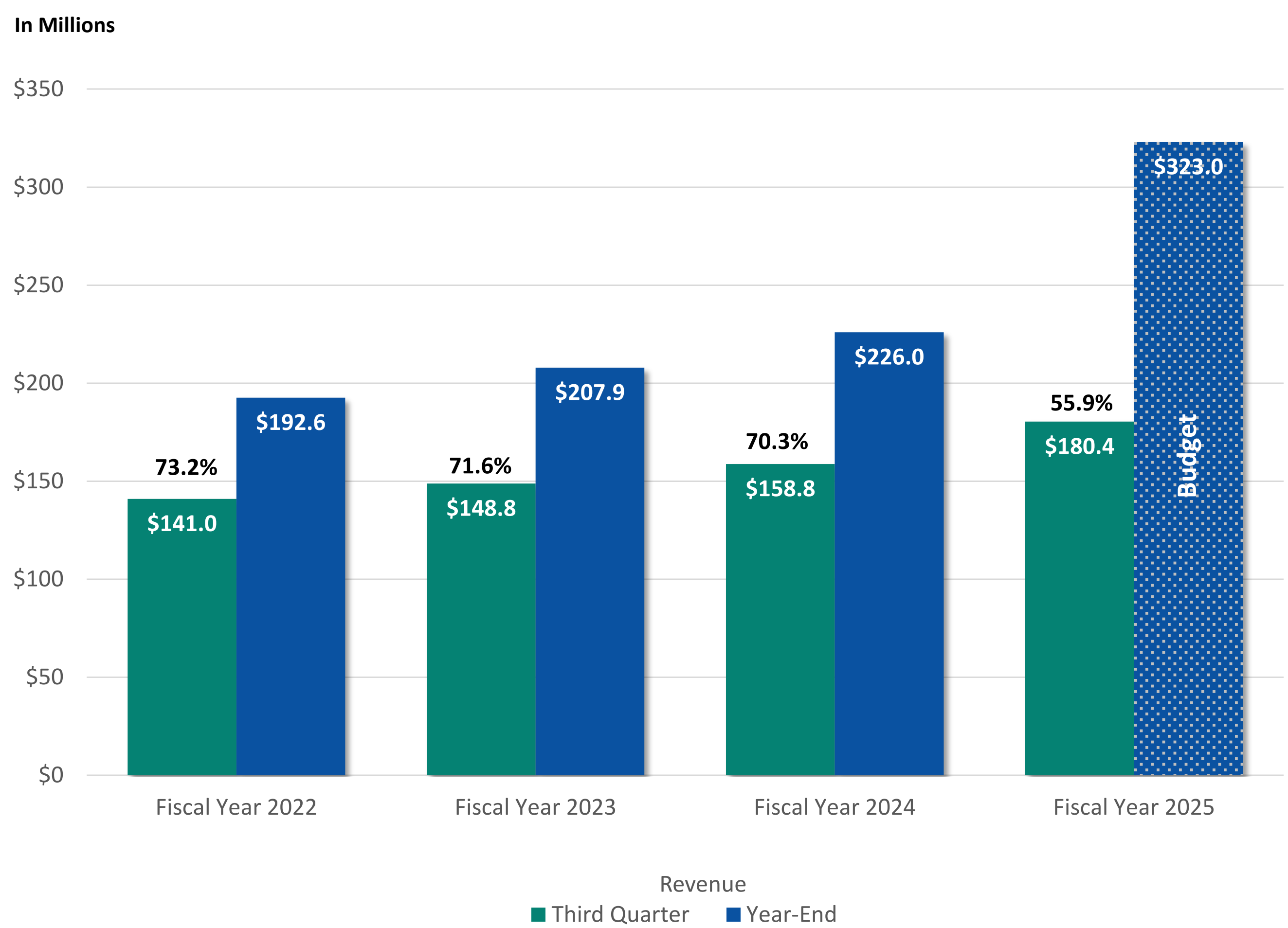
Departmental Revenue

For the department budgets that make up the Board of Supervisor's *Delivering Efficient Public Services* priority area, the actual revenue collected as of March 31, 2025, totaled $180.4 million, which represents 55.9% of the estimated annual revenue. This is below the historical range when compared to the third quarter point of the prior three years, when collections were 70.3% to 73.2% of the final actual revenue.

Budgeted revenue reflects an increase of $97 million, or 42.9%, over the prior year's actuals. This increase is primarily driven by additional budgeted activities for County Operations, including a $35.6 million increase to the American Rescue Plan Act (ARPA) budget and a $31.4 million increase to the Crows Landing Industrial Business Park (CLIBP) budget.

While year-to-date revenue is up 13.6% over the prior year, that increase trails behind the increase in the budgeted revenue of 42.9%, affecting the year-to-date revenue to budgeted revenue ratio. CLIBP revenue averaged 62.2% at the third quarter point; however, this year's collections only amount to 4.2% of that budgeted for the year. The 2025 Adopted Budget includes $31 million of infrastructure improvements funded by various revenue sources on a cost-reimbursement basis. Delays in the construction for many of the projects has resulted in less project invoicing and less revenue collected. These delays have impacted the current-year revenue collections.

Delivering Efficient Public Services Four-Year Revenue Comparison



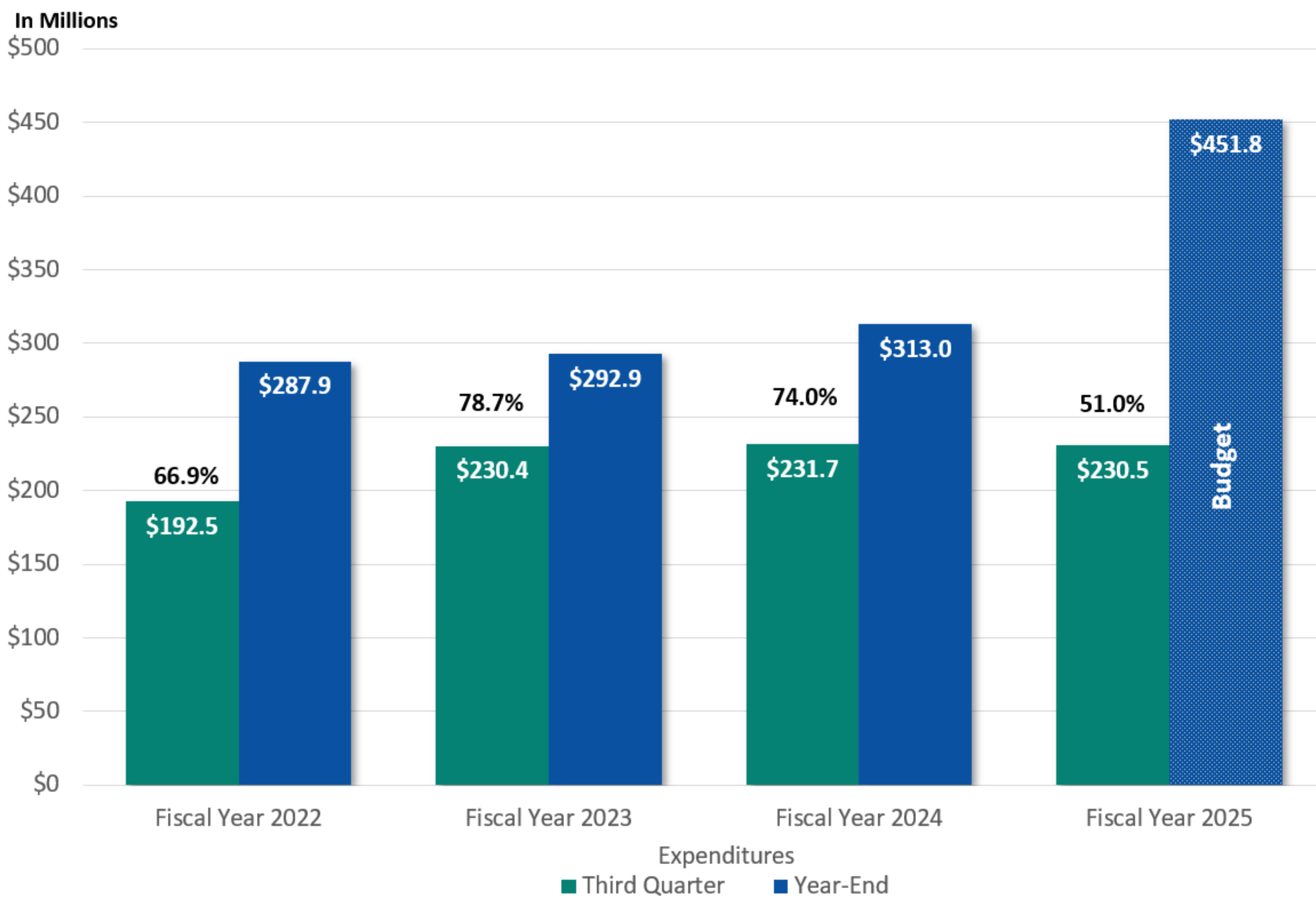
Departmental Expenditures

As of March 31, 2025, expenditures in this Board priority area totaled $230.5 million, representing 51% of appropriations budgeted for the year. Expenditures at the third quarter point of the previous three fiscal years ranged from 66.9% to 78.7% of the final actual expenditures, placing this year outside the historical range.

Expenditures to date decreased by $1.2 million compared to last year's actuals, while budget grew by $138.8 million, or 44.3% over the prior year's actuals. The decrease in actual spending is primarily due to $10 million decreased expenditures in Capital Facilities, offset by higher costs associated with ARPA, CLIBP, Medical Self-Insurance, and Information Technology Central (ITC). The overall budget growth in Fiscal Year 2025 is primarily attributed to ARPA and CLIBP, with more modest increases to General Fund contributions, General Liability and ITC.

Several budgets are underspending compared to historical averages. CLIBP and ARPA have spent only 8% and 9%, respectively, due to the timing of construction projects. General Liability spending is at 62%, lower than usual, due to a Board-approved increase in the Self-Insured Retention (SIR) for Fiscal Year 2025, leading to $7.1 million in current year insurance savings. These delays have pushed the expenditure-to-budget ratio below historical levels.

Delivering Efficient Public Services Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations in this report for departments *Delivering Efficient Public Services* will decrease appropriations by $11.6 million. Budget adjustments are funded with $16.2 million estimated revenue, resulting in a $12.7 million decrease in the use of fund balance and retained earnings and a $15 million decrease in Net County Cost.

Assessor

Retirement Cash-Outs – An increase in appropriations of $74,000 is recommended for the Assessor to support the retirement of long-term County employees, funded by Net County Cost.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
Assessor	$0	$74,000	$0	$74,000	Increase appropriations for retirement cash-outs, funded by Net County Cost.
Total	**$0**	**$74,000**	**$0**	**$74,000**	

Recommendation: It is recommended to increase appropriations by $74,000, funded by Net County Cost.

Chief Executive Office – Human Relations

An increase in appropriations of $77,500 is recommended, funded by $47,075 in estimated revenue and $30,425 in Net County Cost, for Chief Executive Office – Human Relations related to the following adjustments.

Legal Services – An increase in appropriations of $20,000 is recommended to support increased costs related to attorney services necessary for labor negotiations, funded by $12,000 in estimated revenue and $8,000 in Net County Cost.

Marketing Costs – An increase in appropriations of $57,500 is recommended for expanded marketing to reduce County department vacancy rates as part of the Employee Recruitment and Retention Strategy and to advertise the Employee Choice Bonus Plan, funded by $35,075 in estimated revenue and $22,425 in Net County Cost.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
CEO-Human Relations	$12,000	$20,000	$0	$8,000	Increase appropriations and estimated revenue for legal services, funded with 60% Cost Allocation Plan revenue and 40% Net County Cost.
CEO-Human Relations	$35,075	$57,500	$0	$22,425	Increase appropriations and estimated revenue for marketing costs, funded with 60% Cost Allocation Plan revenue and 40% Net County Cost.
Total	**$47,075**	**$77,500**	**$0**	**$30,425**	

Recommendation: It is recommended to increase appropriations by $77,500, funded with $47,075 in estimated revenue and $30,425 in Net County Cost.

County Operations

A net decrease in appropriations of $12 million, a net increase of $4.9 million in estimated revenue, and a reduced reliance of $12.7 million in departmental fund balance and retained earnings are recommended for County Operations, resulting in a savings to Net County Cost of $4.1 million. The Net County Cost savings is offset by Net County Cost increases in various budgets due to a transfer out from Appropriations for Contingencies to other budgets approved for Net County Cost increases at third quarter.

Appropriations for Contingencies – This budget serves as the contingency fund for the County and provides for 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 2025 Adopted Budget included appropriations of $9,025,205 for use during the fiscal year for General Fund cash-outs, health insurance increases, Cost Allocation Plan (CAP) charges, and other miscellaneous unforeseen program or community needs. On November 5, 2024, the Board of Supervisor's approved Board Resolution 2024-0646, utilizing $9,625, and on February 25, 2025, the Board approved Board Resolution 2025-0094, utilizing $125,215, leaving a remaining balance of $8,890,365. Transfers of $3 million were approved to cover a variety of needs at midyear, leaving $5,922,078 remaining in Appropriations for Contingencies.

An additional transfer of $4,246,443 out of Appropriations for Contingencies is recommended to meet department Net County Cost needs recommended at third quarter, transferring funds as follows:

- Transfer $2,789,012 to the Sheriff's Office to support employee termination and retirement cash-outs, increased Employee Choice Bonus Plan costs and increased costs due to labor agreement adjustments;
- Transfer $680,370 to General Services Agency to reappropriate unspent deferred maintenance and Americans with Disabilities Act (ADA) projects;
- Transfer $604,700 to Public Defender to support increased costs for the Contract Attorney Panel;
- Transfer $74,000 to Assessor to support retirement cash-outs;
- Transfer $45,520 to Aging and Veterans Services to support retirement cash-outs and Employee Choice Bonus Plan costs;
- Transfer $30,425 to Chief Executive Office – Human Resources to support legal services costs associated with labor negotiations and marketing and advertising costs associated with the Employee Recruitment and Retention Strategy, including the Employee Choice Bonus Plan; and
- Transfer $22,416 to Parks and Recreation to support retirement cash-outs.

After third quarter adjustments, a total of $1,675,635 will remain in Appropriations for Contingencies for use throughout the remainder of Fiscal Year 2025.

Crows Landing Industrial Business Park – On April 16, 2024, the Board of Supervisors declared an emergency in accordance with Public Contract Code for emergency repairs to the Crows Landing Community Service's District Well No. 4. Although the emergency was declared in Fiscal Year 2024, the bulk of the project's costs were incurred in Fiscal Year 2025. The 2025 Proposed Budget, submitted in March 2024, did not contemplate the emergency project and therefore did not include appropriations in the correct object level. A $1.5 million transfer from Capital Outlays to Services and Supplies is necessary to cover the costs for this project. In addition, a $9.2 million reduction to appropriations is recommended as planned projects will not be under construction in Fiscal Year 2025; projects are anticipated to occur in Budget Year 2026.

General Fund Contributions to Other Programs – It is recommended to increase appropriations by $104,004 to support Sheriff's Office - Court Security to support retirement cash-outs and labor agreement adjustments per the most recently approved labor memorandum of understanding (MOU) between the County and the Stanislaus Sworn Deputies Association. The MOU was approved on April 1, 2025, with Board Resolution 2025-0145.

Medical Self-Insurance – An increase of $1.4 million in appropriations and $4.9 million in estimated revenue is recommended across the Medical Self-Insurance Fund, decreasing the use of retained earnings by $3.5 million.

- Increase appropriations and estimated revenue by $500,000 to align with the 8% increase in Health Savings Account (HSA) Contributions which occurred due to an employer increase for contributions effective January 2025 and a 5% increase in plan enrollees year-over-year.
- Increase appropriations by $50,000 to cover the additional expenses related to the new Segal Contract for employee benefit consulting services.
- Increase appropriations by $800,000 to address additional costs associated with pharmacy claims. According to the RxBenefits Contract for pharmaceuticals, the actual savings and expenses will vary based on program enrollment and the specific pharmacy benefits need of each participant, including the dispensing of generic, specialty, or brand-name medications.
- Increase estimated revenue by $4.4 million to align with the 4.4% increase in health rates, effective January 2025, funding the increased appropriations for the Segal contract and pharmacy claims and decreasing the use of retained earnings.

Other Employee Benefits – An increase in ongoing appropriations of $6,185 is recommended, funded by retained earnings, to support a 5% growth in enrollment for participants in Long-Term Disability Insurance.

Vision Insurance – An increase of $25,000 in appropriations and $30,000 in estimated revenue across the Vision Insurance Fund is recommended, decreasing the use of retained earnings by $5,000.

- Increase appropriations by $25,000, right-sizing Cost Allocation Plan (CAP) charges for Chief Executive Office - Human Relations posting higher than anticipated. This adjustment is needed to reflect the actual cost allocation based on the Auditor's Office's methodology for posting. Staff will be evaluating methodologies to ensure there is alignment of budget projection with actuals.
- Increase estimated revenue by $30,000 to align with the 5% increase in rates effective January 2025, decreasing the use of retained earnings by the same amount.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
County Operations - Appropriations for Contingencies	$0	($2,789,012)	$0	($2,789,012)	Transfer appropriations to Sheriff to support employee cash-outs, Employee Bonus Choice Plan, and increased costs due to labor agreement adjustments.
County Operations - Appropriations for Contingencies	$0	($680,370)	$0	($680,370)	Transfer appropriations to General Services Agency to reappropriate unspent deferred maintenance and ADA projects.
County Operations - Appropriations for Contingencies	$0	($604,700)	$0	($604,700)	Transfer appropriations to Public Defender to support increased costs for the Contract Attorney Panel.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
County Operations - Appropriations for Contingencies	$0	($74,000)	$0	($74,000)	Transfer appropriations to Assessor to support retirement cash-outs.
County Operations - Appropriations for Contingencies	$0	($45,520)	$0	($45,520)	Transfer appropriations to Aging and Veterans Services to support retirement cash-outs and Employee Choice Bonus Plan costs.
County Operations - Appropriations for Contingencies	$0	($30,425)	$0	($30,425)	Transfer appropriations to Chief Executive Office - Human Relations to support the cost of legal services and marketing/advertising costs.
County Operations - Appropriations for Contingencies	$0	($22,416)	$0	($22,416)	Transfer appropriations to Parks and Recreation to support retirement cash-outs.
County Operations - Crows Landing Industrial Business Park	$0	($1,500,000)	($1,500,000)	$0	Transfer appropriations out of Capital Outlays to Services and Supplies for the Crows Landing Community Services District Well No. 4 Project.
County Operations - Crows Landing Industrial Business Park	$0	$1,500,000	$1,500,000	$0	Transfer appropriations into Services and Supplies from Capital Outlays for the Crows Landing Community Services District Well No. 4 project.
County Operations - Crows Landing Industrial Business Park	$0	($9,200,000)	($9,200,000)	$0	Decrease appropriations related to construction projects, benefiting fund balance.
County Operations - General Fund Contribution to Other Programs	$0	$104,004	$0	$104,004	Increase appropriations to support salaries, benefits, cash-outs, and labor agreement changes in Sheriff - Court Security, funded by Net County Cost.
County Operations - Medical Self-Insurance	$500,000	$500,000	$0	$0	Increase appropriations and estimated revenue to reflect increase in Health Savings Account (HSA) Contributions effective January 2025.
County Operations - Medical Self-Insurance	$0	$50,000	$50,000	$0	Increase appropriations for increased contracted services costs, funded with retained earnings.
County Operations - Medical Self-Insurance	$0	$800,000	$800,000	$0	Increase appropriations for increased Pharmacy claims costs, funded with retained earnings.
County Operations - Medical Self-Insurance	$4,400,000	$0	($4,400,000)	$0	Increase estimated revenue to reflect 4.4% increase in Medical rates effective January 2025, funding increased program appropriations and decreasing the use of retained earnings.
County Operations - Other Employee Benefits	$0	$6,185	$6,185	$0	Increase appropriations for Long-Term Disability Insurance costs, funded with retained earnings.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
County Operations - Vision Insurance	$0	$25,000	$25,000	$0	Increase appropriations for CAP charges for CEO-Human Relations.
County Operations - Vision Insurance	$30,000	$0	($30,000)	$0	Increase estimated revenue to reflect 5% increases in Vision rates effective January 2025, funding increased program appropriations and decreasing the use of retained earnings.
Total	**$4,930,000**	**($11,961,254)**	**($12,748,815)**	**($4,142,439)**	

Recommendation: It is recommended to reduce appropriations by $12 million, increase estimated revenue by $4.9 million, and reduce the reliance on departmental fund balance and retained earnings by $12.7 million, resulting in a net decrease of $4.1 million in the use of Net County Cost.

General Services Agency

Adjustments increasing appropriations by $680,370, funded by Net County Cost, are recommended for the General Services Agency.

Capital Facilities – It is recommended to increase appropriations by $402,381 to reappropriate unspent Fiscal Year 2024 funds for Deferred Maintenance (DM) projects and by $277,989 for Americans with Disabilities Act (ADA) projects to maintain the annual DM and ADA programs providing $2 million and $500,000 respectively to mitigate deterioration of County facilities and assets to support ongoing service delivery. Both adjustments are funded by Net County Cost and will support the continued progress of facility improvements.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
General Services Agency - Capital Facilities	$0	$402,381	$0	$402,381	Reappropriate the Fiscal Year 2024 unspent balance to support Deferred Maintenance projects, funded by Net County Cost.
General Services Agency - Capital Facilities	$0	$277,989	$0	$277,989	Reappropriate the Fiscal Year 2024 unspent balance to support Americans with Disabilities Act (ADA) projects, funded by Net County Cost.
Total	**$0**	**$680,370**	**$0**	**$680,370**	

Recommendation: It is recommended to increase appropriations by $680,370, funded by Net County Cost.

Information Technology Central

An adjustment decreasing appropriations and estimated revenue by $18,785 is recommended for Information Technology Central.

Information Technology Central (ITC) – It is recommended to decrease appropriations and estimated revenue by $18,785 due to the transfer of two block-budgeted Technology Specialist I/II positions back to Behavioral Health and Recovery Services (BHRS). This adjustment aligns budgeted costs with department staffing changes.

Recommended Budget Adjustment					
Budget Unit Name	**Revenue**	**Appropriations**	**Fund Balance/ Retained Earnings**	**Net County Cost/ General Fund Contribution**	**Description**
Information Technology Central	($18,785)	($18,785)	$0	$0	Decrease estimated revenue and appropriations due to the transfer of two block-budgeted Technology Specialist I/II positions back to BHRS.
Total	**($18,785)**	**($18,785)**	**$0**	**$0**	

Recommendation: It is recommended to decrease appropriations and estimated revenue by $18,785.

Staffing Recommendation: It is recommended to transfer out two block-budgeted Technology Specialist I/II positions to Behavioral Health and Recovery Services (BHRS) to provide tier-2 support for the BHRS' SmartCare Electronic Health Record system. The ITC Help Desk will continue to provide tier-1 support for the same system.

ENHANCING COMMUNITY INFRASTRUCTURE

Environmental Resources

Parks and Recreation

Planning and Community Development

Public Works

Enhancing Community Infrastructure

Priority Overview

The Board of Supervisors' priority area *Enhancing 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 in this priority area include Environmental Resources, Parks and Recreation, Planning and Community Development, and Public Works. The major funding sources for these departments include State and Federal funding, fees and charges for services, the General Fund, special revenue grants, and a 1/2-cent local transportation sales tax commonly referred to as Measure L.

In Fiscal Year 2025, key initiatives such as the Building Community Services Investment (BCSI) were continued with Parks and Recreation receiving its year-three $3 million allocation along with $5 million remaining from years one and two. BCSI provided additional General Fund support to address various needs in the community as part of an organization-wide three-year strategic initiative. This funding will continue to go toward targeted one-time investments which will directly contribute to the local quality of life, community wellness, and strategic facility planning.

Recommendations contained in this report will increase appropriations by $22,416 resulting in an equal increased use of Net County Cost. The departments within *Enhancing Community Infrastructure* are on track to end the year within budget and in a positive fiscal position.

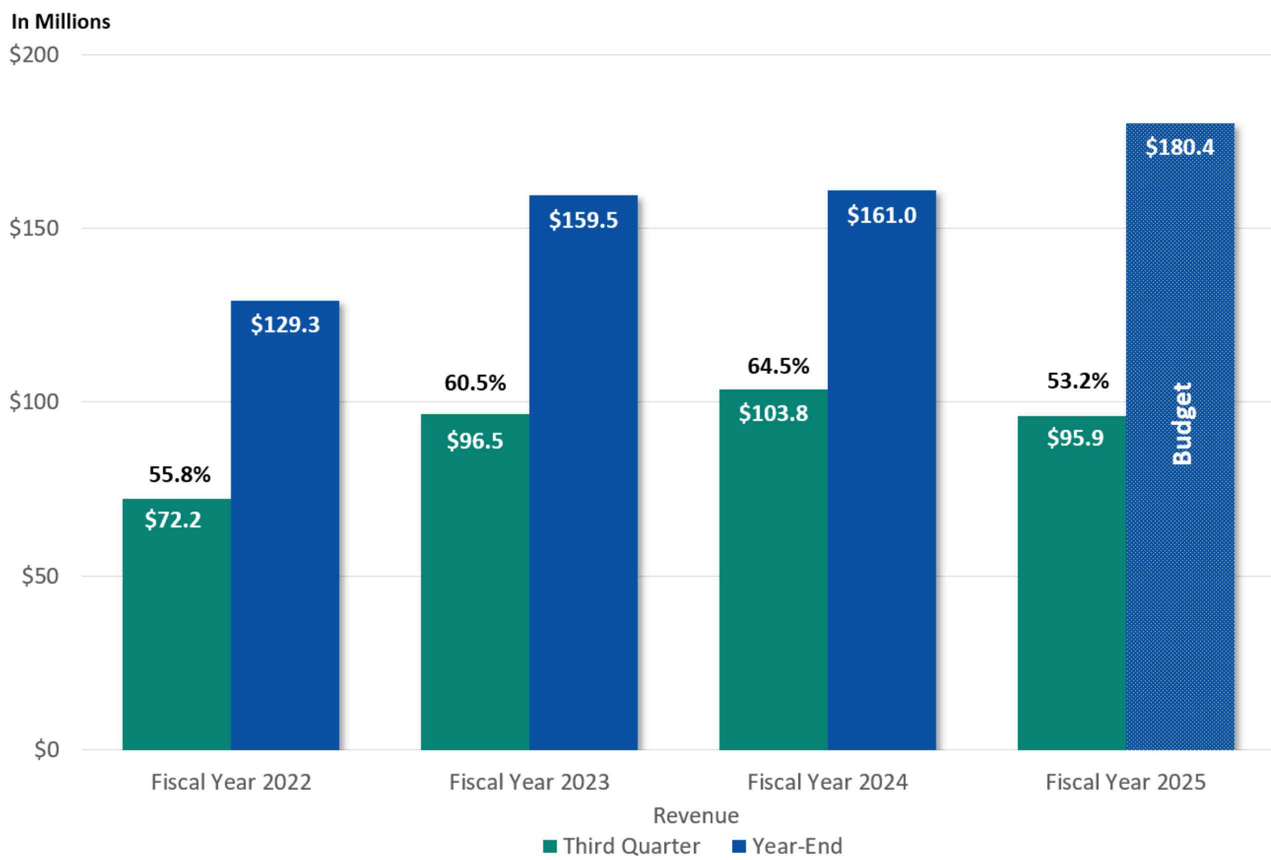
Departmental Revenue

For the budgets representing the Board's priority *Enhancing Community Infrastructure,* actual revenue collected as of March 31, 2025, totaled $95.9 million, representing 53.2% of the estimated annual revenue. This is below the historical range when compared to the third quarter point of the prior three years when collections ranged from 55.8% to 64.5% of the final actual revenue.

Budgets within this priority include revenue for various projects that impact both actual revenue collected and that budgeted depending on project status and progress. Budgeted revenue for the current fiscal year exceeds that of the prior three fiscal years, ranging between $19.4 million to $51.1 million. These variances are largely due to the project-based revenue in the Public Works Road and Bridge budget, which includes $120.1 million in estimated revenue for over 90 projects. Project revenue is received on a cost-reimbursement basis; however, costs have not yet materialized because many projects have not yet entered the construction phase. In addition, the Planning and Community Development Special Revenue Grants and Housing Programs budgets have a combined estimated revenue of $15.1 million; however, only $3.2 million has been collected to date. Conversely, the Department of Environmental Resources has experienced increased revenue due to the closure of the Waste-to-Energy facility.

Of note, Public Works' Fiscal Year 2022 actuals were impacted by the transfer of local transit activities to a separate regional transit authority, including an accounting entry tied to the transfer of fixed assets, decreasing revenue by nearly $9.2 million at third quarter and $27 million by year-end.

Enhancing Community Infrastructure Four-Year Revenue Comparison

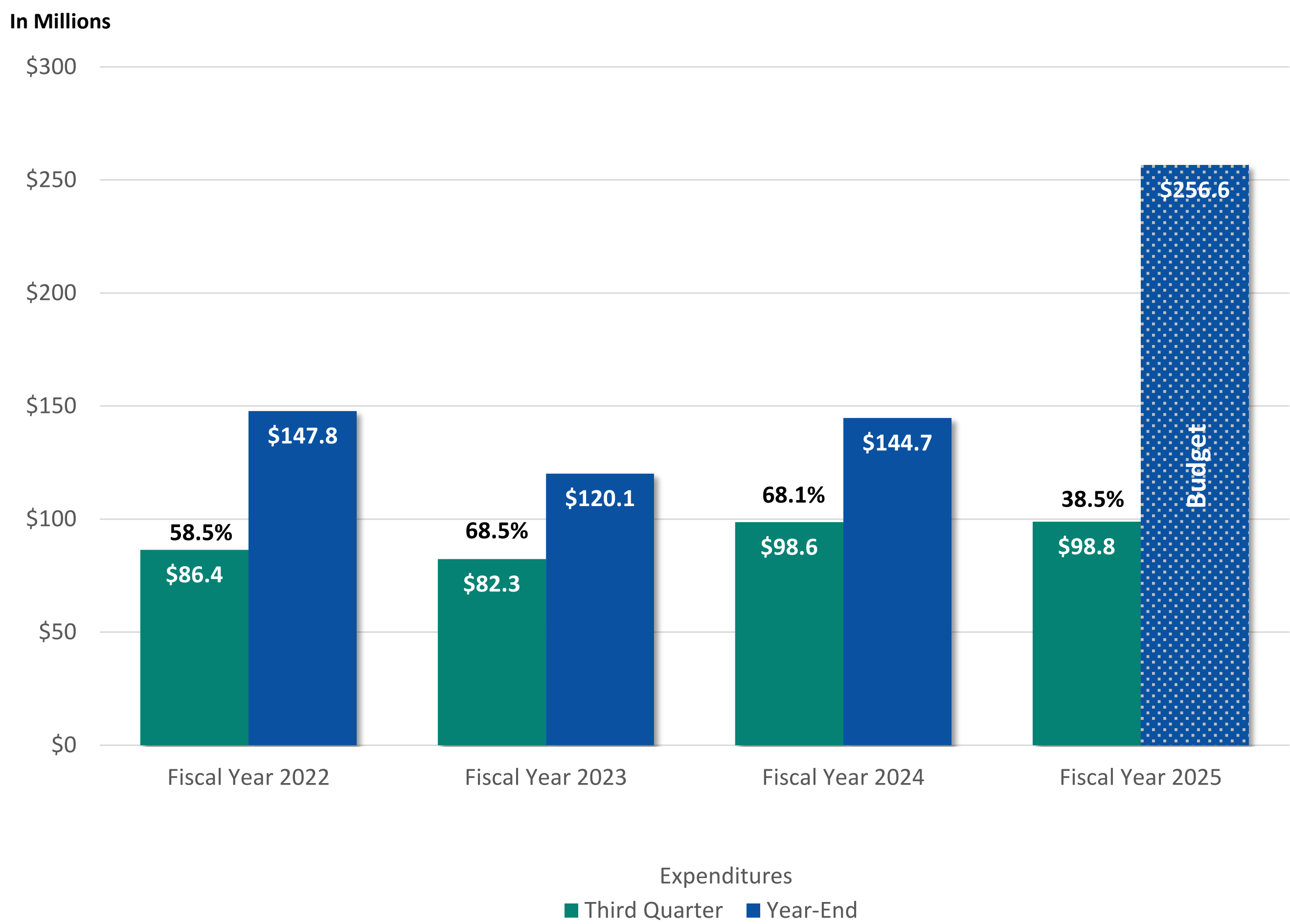


Departmental Expenditures

As of March 31, 2025, expenditures in this priority total $98.8 million, representing 38.5% of the budgeted appropriations. At the third-quarter mark in the prior three fiscal years, expenditures ranged from 58.5% to 68.5% of final actual expenditures, indicating that current-year spending is below the historical range.

The shift is primarily due to the increase in overall budget compared to that realized in prior years' actual expenditures. While Fiscal Year 2025 year-to-date actual expenditures are in line with prior years, departments in this priority have budgeted for expenses associated with various projects that have not yet materialized. Environmental Resources – Fink Road Landfill has planned several large one-time expenses for heavy equipment purchases, depreciation, landfill closure costs, and operating transfers that have not yet occurred. Similarly, the Parks and Recreation's budget includes $8.1 million of Building Community Services Investment funding and $3.9 million in State funding for parks projects, which remain unspent. Planning and Community Development has funded appropriations related to housing programs and the Public Works budget includes provisions for over 90 projects that are still in progress.

Enhancing Community Infrastructure Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations in this report for departments *Enhancing Community Infrastructure* will increase appropriations by $22,416. Budget adjustments are funded by Net County Cost.

Environmental Resources

During Fiscal Years 2024 and 2025, Environmental Resources worked with the Auditor-Controller and the Chief Executive Office to develop a methodology for allocating administrative overhead costs among its different programs based on the number of full-time employees supporting each program. Two programs, the Groundwater Program and Code Enforcement, are primarily funded by the General Fund. As a result, allocating administrative overhead costs to these programs will create an ongoing increase in Net County Cost for both budget units. In total, approximately $400,000 in administrative overhead costs will be allocated annually to the two programs, representing 14% of the total overhead cost. Code Enforcement and the Groundwater Program have sufficient appropriations to absorb these costs in Fiscal Year 2025 without requiring a budget adjustment. Appropriations to cover the ongoing costs will be included in the 2026 Proposed Budget.

Recommendation: It is recommended to implement an administrative overhead allocation methodology and fund Code Enforcement and the Ground Water Program's share of overhead costs with Net County Cost.

Parks and Recreation

Retirement Cash-Outs – It is recommended to increase appropriations by $22,416 in the Parks and Recreation budget for employee retirement cashouts, funded by Net County Cost.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Parks and Recreation	$0	$22,416	$0	$22,416	Increase appropriations for retirement cashouts, funded by Net County Cost.
Total	**$0**	**$22,416**	**$0**	**$22,416**	

Recommendation: It is recommended to increase appropriations by $22,416, funded by Net County Cost.

Third Quarter Financial Report Conclusion

The 2025 Third Quarter Financial Report shows the County budget is balanced inclusive of updated information and actual performance, tracking within the March 31, 2025, Legal Budget and year-end projections. Staff will continue to monitor operations against the budget and be prepared to recommend any necessary and appropriate adjustments prior to year-end, informed by continuous analysis of realized revenue and actual expenditures.

For planning purposes, the following schedule for upcoming reports to the Board of Supervisors is recommended.

Budget Cycle Activity	2026 Proposed Budget	2026 Adopted Budget
Document Published for the Public	May 30, 2025	September 19, 2025
Presentation to the Board of Supervisors	June 10, 2025	September 30, 2025