Third Quarter Financial Report
July 2017 — March 2018

BOARD OF SUPERVISORS

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INTRODUCTION

This is the Chief Executive Office's Third Quarter Financial Report for the period of July 2017- March 2018 for the 2017-2018 Fiscal Year. It has been prepared to inform the Board of Supervisors, County leadership and the public of the County's financial status after nine months of operations in the current fiscal year. The report provides revenue and expenditure summaries for County programs organized by Board of Supervisors priority and recommends adjustments to County budgets needed since the adoption of the Final Budget in September 2017, which are necessary to end the year in a positive fiscal position.

BACKGROUND

On September 19, 2017, the Board of Supervisors adopted the Fiscal Year 2017-2018 Final Budget for Stanislaus County. This spending plan of $1.3 billion for all funds reflected an 11.7% increase from the 2016-2017 Adopted Final Budget. The 2017-2018 Adopted Final Budget was balanced using a combination of $1.2 billion in revenue and $72.9 million in fund balance and one-time funding sources. It also included funding for 4,469 allocated full-time positions, an increase of 154 positions from the 2016-2017 Adopted Final Budget.

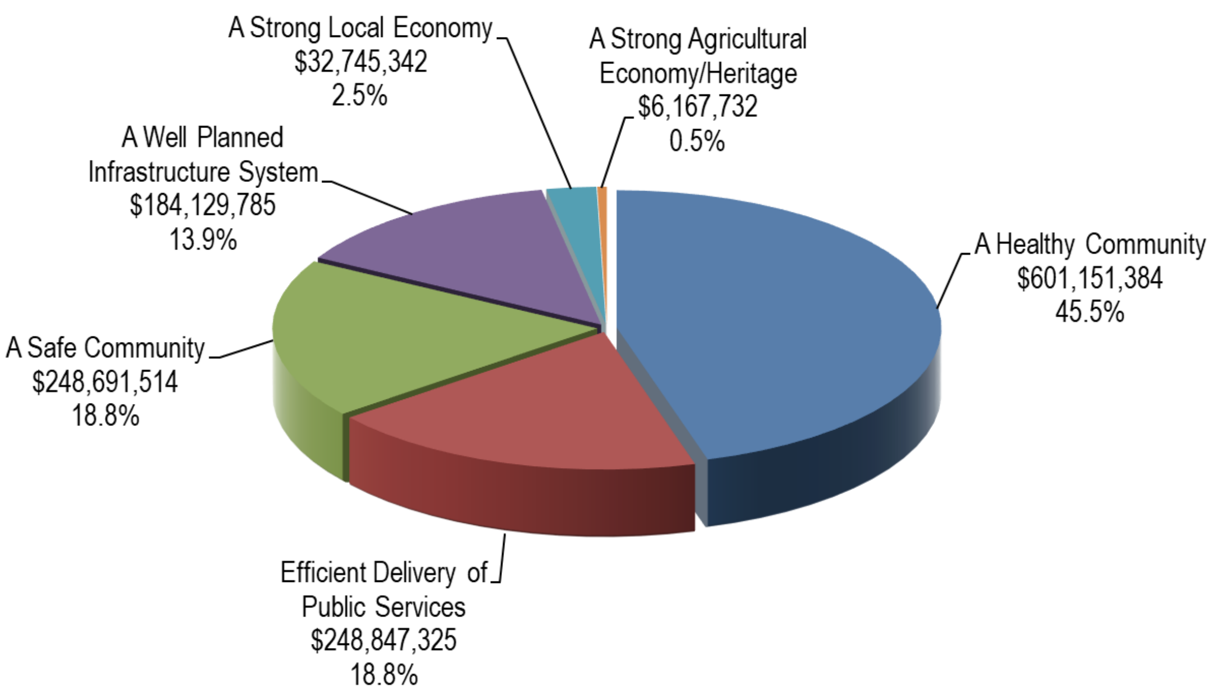
The General Fund totaled $329.9 million in the 2017-2018 Adopted Final Budget, which was a $31.7 million or 10.6% increase above the 2016-2017 Adopted Final Budget of $298.2 million. Discretionary Revenue projected for Fiscal Year 2017-2018 was $205.8 million, an increase of $11.9 million when compared to the prior year. The 2017-2018 Adopted Final Budget was balanced using $20.7 million of fund balance from the General Fund.

2017-2018 SUMMARY OF BUDGET ADJUSTMENTS

The Adopted Final Budget is adjusted each year by including appropriations that are carried forward from the prior fiscal year for projects that were planned for and authorized by the Board of Supervisors but not fully completed. Funding for these projects is identified as assigned fund balance by the Auditor-Controller at year-end to ensure these costs are fully funded in the next fiscal year. Also included in the Adopted Final Budget are any departmental savings that carried forward into the current fiscal year. In addition, throughout the year the Board of Supervisors approves adjustments to department budgets either through quarterly financial reports or in separate Board of Supervisor action agenda items. The sum of all of these adjustments through March 31, 2018, totals $56,405,035 and is added to the Adopted Final Budget to make up the Operating Budget.

As a result of these adjustments made prior to the Third Quarter review, the Operating Budget for the current fiscal year is $1,321,733,082 funded with $1,215,111,040 in estimated revenues and $106,622,042 in fund balance and one-time funding sources.

Fiscal Year 2017-2018 Adjusted Operating Budget
Expenditure by Board Priority
$1,321,733,082 as of March 31, 2018



Summary of Requested Third Quarter Adjustments

The 2017-2018 Third Quarter Financial Report reflects a fiscal review of departmental programs and recommended adjustments to ensure that all departments finish the year within their approved budgets. The Third Quarter recommendations include a total increase in appropriations of $9,043,774, offset by

$3,162,514 in transfers from Appropriations for Contingencies for a net appropriations increase of $5,881,260, along with an increase to estimated revenues of $7,079,633. If approved, the recommendations contained in this report will result in an overall decrease of $1,198,373 in the use of fund balance and/or retained earnings.

The following table depicts the recommended Third Quarter adjustments by fund type:

Summary of Third Quarter Appropriation Adjustments by Fund Type

Fund Type	Adopted Final Budget 2017-2018	Third Quarter Operating Budget 2017-2018	Recommended Third Quarter Adjustments	Recommended Third Quarter Budget 2017-2018
General Fund	$ 329,856,219	$ 353,477,594	$ 192,590	$ 353,670,184
Special Revenue Funds	741,292,898	760,827,274	5,277,670	766,104,944
Capital Projects Funds	1,434,551	1,434,551	-	1,434,551
Enterprise Funds	86,786,936	91,802,578	-	91,802,578
Internal Service Funds	105,957,443	114,191,085	411,000	114,602,085
Total	**$ 1,265,328,047**	**$ 1,321,733,082**	**$ 5,881,260**	**$ 1,327,614,342**

General Fund

The General Fund recommended Third Quarter Budget for Fiscal Year 2017-2018 is $353,670,184, an increase of $192,590 from the current Operating Budget.

The recommended increase is primarily due to unanticipated external revenues received to support customer services in multiple General Fund Departments, including Sheriff, Public Defender, Parks and Recreation, Planning and Community Development and the Chief Executive Office. Details of these services are included in the various priority sections of this Financial Report.

Special Revenue Funds

The Special Revenue Funds' recommended Third Quarter Budget for Fiscal Year 2017-2018 is $766,104,944, an increase of $5,277,670 from the current Operating Budget.

The recommended increase is largely due to increased caseload trends in mandate programs operated by the Community Services Agency, including Foster Care, Extended Foster and Adoptions; CSA – Public Economic Assistance will increase $4,457,431 to provide for the safety of children in out of home care. The remainder of the increase is due to customer needs in Behavioral Health and Recovery Services – Alcohol and Drug, related to increased Narcotic Replacement Therapy services.

Capital Projects Funds

The Capital Projects Funds' recommended Third Quarter Budget for Fiscal Year 2017-2018 is $1,434,551 and represents no change from the current Operating Budget.

Enterprise Funds

The Enterprise Funds' recommended Third Quarter Budget for Fiscal Year 2017-2018 is $91,802,578 and represents no change from the current Operating Budget.

Internal Service Funds

The Internal Service Funds' recommended Third Quarter Budget for Fiscal Year 2017-2018 is $114,602,085 and represents an increase of $411,000 from the current Operating Budget. The primary increase to this fund is related to increased janitorial and security service work order requests received by the General Services Agency – Facilities Maintenance division.

Overall Fund Balance

The beginning fund balance for all funds on July 1, 2017, totaled $508.8 million. The Operating Budget of $1.3 billion is balanced with a $106.6 million use of fund balance. If the recommendations contained in this report are approved, the result will be a $1,1198,373 savings in the use of fund balance. The projected fund balance on June 30, 2018, assuming all budget projections are fully realized, is forecast at $403.4 million across all funds.

The following table provides a summary of fund balance by fund type:

Summary of Fund Balance by Fund Type

Fund Type	Beginning Fund Balance on 7/1/2017	Legal Budget Revenue on 3/31/2018	Legal Budget Appropriations on 3/31/2018	Third Quarter Recommended Use of Fund Balance	Projected Fund Balance on 6/30/2018
General Fund	$ 184,365,718	$ 325,315,929	$ 353,477,594	$ (1,551,373)	$ 157,755,426
Special Revenue Funds	226,011,473	714,847,542	760,827,274	298,000	179,733,741
Capital Projects Funds	4,100,385	880,000	1,434,551	-	3,545,834
Enterprise Funds	63,218,383	69,276,048	91,802,578	-	40,691,853
Internal Service Funds	31,125,696	104,791,521	114,191,085	55,000	21,671,132
Total	**$ 508,821,655**	**$ 1,215,111,040**	**$ 1,321,733,082**	**$ (1,198,373)**	**$ 403,397,986**

Note: The Final Budget reported a beginning balance in the General Fund of $186,713,089. Since that time, post-closing adjustments totaling $2,347,371 have posted, which resulted in a revised beginning fund balance of $184,365,718 as depicted in the preceding chart.

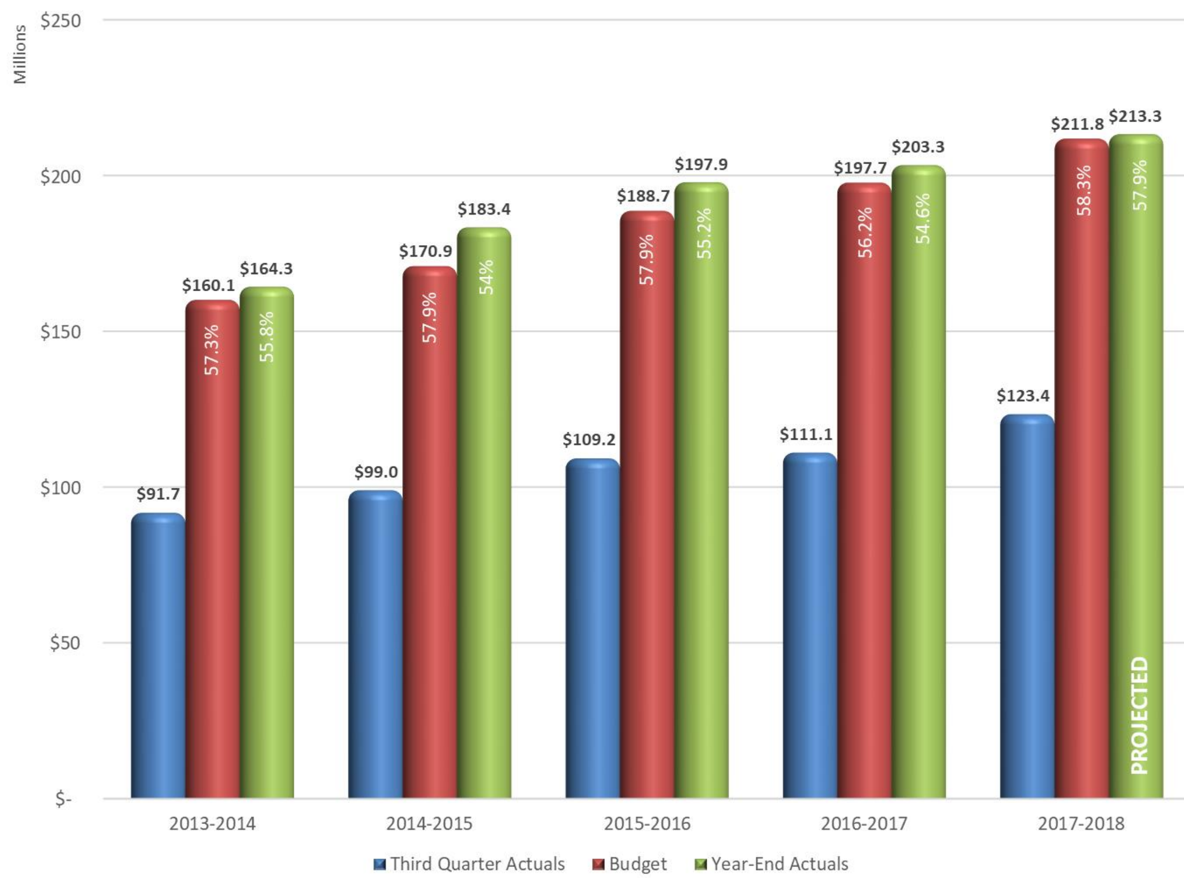
DISCRETIONARY REVENUE

As of March 31, 2018, $123.4 million has posted to the General Fund discretionary revenue accounts. This amount represents 58.3% of the 2017-2018 midyear projection of $211.8 million. For the prior four years, discretionary revenue collected by the end of Third Quarter ranged from 56.2% to 57.9% of the Operating Budget and from 54% to 55.8% of actual year-end collections. This indicates that current year actual discretionary revenue is materializing at a higher rate within the five-year range at Third Quarter. This is primarily due to increases in property tax, sales tax, Public Safety (Proposition 172) Sales Tax, and interest earnings.

The $205.8 million budgeted for Discretionary Revenue in the 2017-2018 Adopted Final Budget was increased by $6 million at midyear for a total budget of $211.8 million. This increase was prompted by increased receipts to date in property taxes, sales and use taxes, interest earnings, Proposition 172 revenue, interest earned on the Tobacco Endowment Fund, and revenue for the administration of the supplemental property tax adjustments on Williamson Act properties. After careful review of subsequent receipts through March 31, 2018, it is recommended to increase the budget at Third Quarter by $1.45 million for a total budget of $213.3 million.

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

General Fund—Discretionary Revenue Five Year Comparison

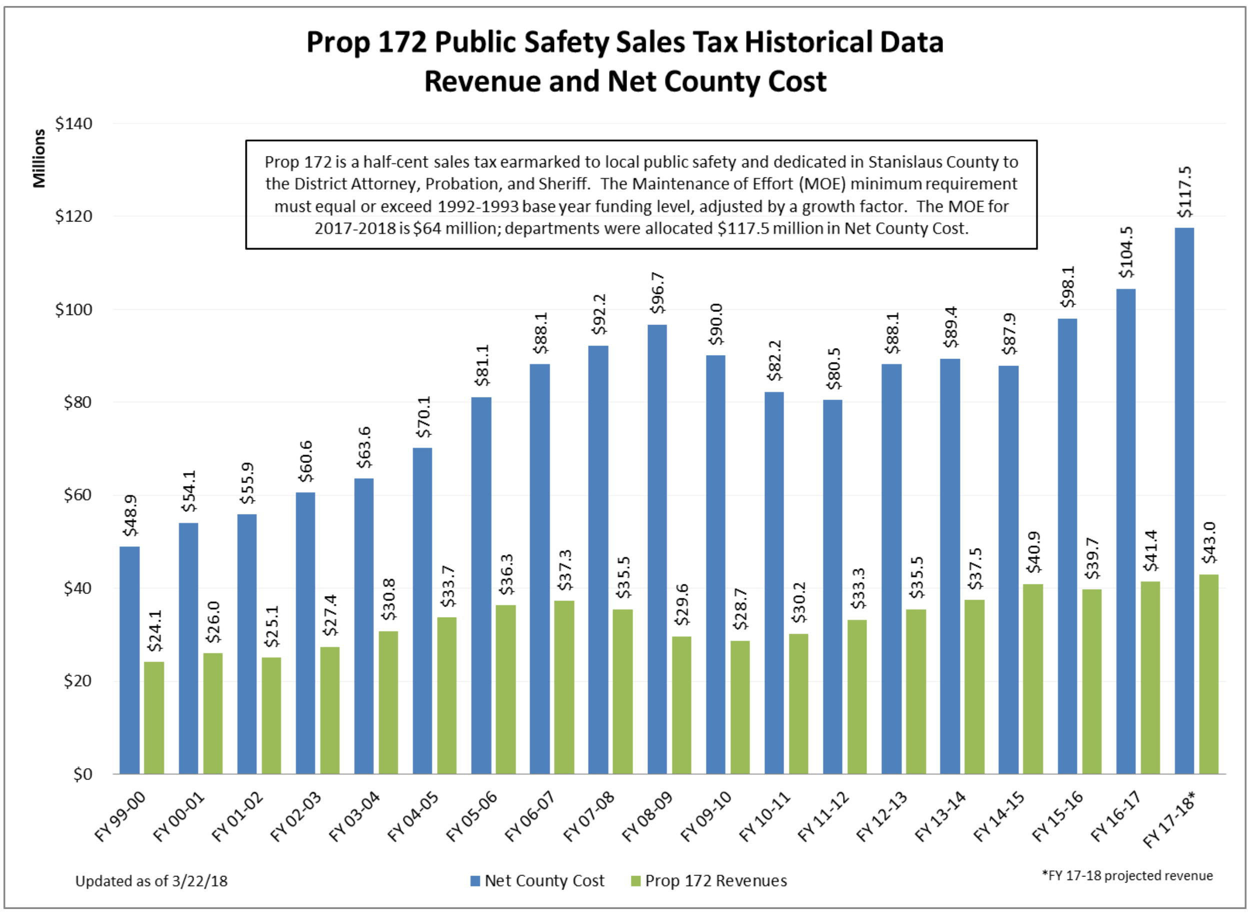


The following is a summary of activity in Revenue from the Use of Money and Intergovernmental Revenue, the two discretionary revenue categories in which adjustments are recommended. Further, an update is provided for revenue received from Fines, Forfeitures, and Penalties, although no adjustment is recommended in this category at this time.

Revenue from the Use of Money: Interest earned on the County's pooled cash and collection of rents and leases of County owned property are the source of revenue in this category. Budgeted interest earnings were increased at midyear by $1 million to a total of $3.4 million. Updated projections show interest earnings through year-end will exceed budget by approximately $650,000. This is due to the rise in interest rates and a higher General Fund cash balance, which along with current investment procedures, generates more interest. As a result, it is recommended that Revenue from the Use of Money be increased by $650,000.

Intergovernmental Revenue: The main source of revenue in this category is from a one-half cent Sales and Use Tax for local public safety services, also known as Proposition (Prop) 172. As of midyear, this category was budgeted at $45.2 million, of which Prop 172 revenue was estimated at $43 million. The Prop 172 funds are dedicated to support the General Fund budgets of the District Attorney, Probation, and Sheriff. Revenue collected by the State Board of Equalization is apportioned to each county based on proportionate shares of statewide taxable sales. At Third Quarter, it is estimated that Prop 172 revenue could exceed budget by approximately $800,000 to a total of $43.8 million. As a result, it is recommended that Intergovernmental Revenue be increased by $800,000.

The following chart shows a multi-year history of Proposition 172 revenue, dating back to Fiscal Year 1999-2000 and demonstrates the current upswing in revenue from this source over the recent past (note that the Fiscal Year 2017-2018 Prop 172 Revenues uses the current budgeted amount and not year-end projections noted above):



Fines, Forfeitures, and Penalties: This revenue is collected on delinquent property taxes, with the majority of the funding generally posted in the second half of each fiscal year, highly concentrated in the months of January and May. The revenue was at peak levels when the real estate market values declined significantly during the Great Recession. As the rate of foreclosures has declined significantly and the housing market continues steady recovery, revenue is anticipated in the normal historical range between $2 million to $3 million. As of Midyear, the total budgeted for this category is $2.5 million for the fiscal year. Based on current receipts through March 31, 2018 of $1.4 million and the prior year percentage-to-date ratio, there is a potential for actual year-end revenues to exceed budget by $2 million. However, receipts have been trending downward, an average 15.2% per year, based on prior end-of-year totals dating back to Fiscal Year 2013-2014. For this reason, no budget adjustment is recommended at this time.

The following table identifies Discretionary Revenue actuals for Fiscal Year 2016-2017, budgeted amount in the 2017-2018 Adopted Final Budget, and subsequent adjustments, including those recommended at the Third Quarter Budget:

Discretionary Revenue

Description	Fiscal Year 2016-2017 Actuals	Fiscal Year 2017-2018 Final Budget	Midyear 2017-2018 Projections	Third Quarter 2017-2018 Adjustments	Fiscal Year 2017-2018 Third Quarter Budget
Taxes	$ 147,635,366	$ 150,205,000	$ 152,655,000	$ -	$ 152,655,000
Licenses, Permits & Franchises	1,106,618	1,100,000	1,100,000	-	1,100,000
Fines, Forfeitures & Penalties	3,288,822	2,500,000	2,500,000	-	2,500,000
Revenue from Use of Money	3,366,855	2,600,000	3,600,000	650,000	4,250,000
Intergovernmental Revenue	43,768,214	43,707,000	45,207,000	800,000	46,007,000
Charges for Services	1,974,342	2,287,500	2,487,500	-	2,487,500
Miscellaneous Revenues	63,560	-	-	-	-
Other Financing Sources	2,138,076	3,440,000	4,290,000	-	4,290,000
Total	**$ 203,341,853**	**$ 205,839,500**	**$ 211,839,500**	**$ 1,450,000**	**$ 213,289,500**

VACANCY RATES IN ZERO-BASED BUDGETS

As part of the Zero-Base Budget process that preceded the 2017-2018 Proposed Budget, General Fund Phase II departments were provided with appropriation authority and Net County Cost support for their existing Board of Supervisor approved service levels. The Zero-Base Budget process requires a full analysis of each account from "the ground up." The approved financial support is identified as the Funded Service Level, which is then adjusted by a 5% reduction to salaries and benefits equal to the assumption of a 5% vacancy rate for departments containing 30 or more allocated positions. This practice is intended to ensure that departments are not over-appropriated such that General Fund dollars are not committed in excess of what will be required to sustain actual filled positions. Historical analysis reflects County department vacancy rates generally average around 8%.

At Third Quarter, actual fiscal year-to-date vacancy rates for General Fund departments averaged 11.8%. The Assessor and Parks and Recreation departments have minimized their individual vacancy rates and require increased Net County Cost to support their positions and services for the remainder of the year in the form of a vacancy rate rebate. The recommended restoration amounts are calculated using the following methodology: 100% refund of the vacancy factor if the actual average vacancy rate is less than or equal to 2.5%, or 50% refund of the vacancy factor if the vacancy rate is between 2.6% and 4.99%.

The following table summarizes the funding recommended for restoration to departments at Third Quarter:

Vacancy Rate Rebates			
Department	5% Vacancy Rate Applied in 2017-2018 Proposed Budget	Actual Vacancy Rate as of 2/28/18	Vacancy Rate Rebate Amount
Assessor	$ 290,513	3.29%	$ 145,257
Auditor-Controller	221,907	7.27%	-
CEO - Operations and Services	331,601	7.90%	-
Clerk-Recorder	93,426	12.78%	-
Clerk-Recorder - Elections	56,668	32.11%	-
Cooperative Extension	14,086	12.50%	-
District Attorney - Criminal Division	779,639	10.30%	-
Parks and Recreation	152,205	3.69%	76,103
Planning	93,646	13.19%	-
Probation - Administration	112,637	10.00%	-
Probation - Field Services	515,880	11.53%	-
Probation - Institutions	278,724	17.46%	-
Probation - Juvenile Commitment Facility	162,094	20.19%	-
Public Defender	319,184	5.05%	-
Sheriff - Administration	400,753	9.67%	-
Sheriff - Adult Detention Expansion	-	12.52%	-
Sheriff - Detention	1,503,182	11.51%	-
Sheriff - Operations	1,020,956	11.34%	-
Total Base Reduction/Average Rate/Rebate	**$ 6,347,101**	**11.79%**	**$ 221,360**

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

CHALLENGES AND OPPORTUNITIES

Retirement

On February 27, 2018, the Board of Retirement of the Stanislaus County Employees' Retirement Association (StanCERA) accepted the June 30, 2017, Actuarial Valuation that included the retirement rates for the 2018-2019 Budget Year. As reported at midyear, the projected rates are anticipated to increase by approximately 9.1%. These rates have been factored into the salary projections for departments to use in developing their 2018-2019 Proposed Budget submissions, pending Board of Supervisors acceptance of the rates in early June. This increase represents a $10.2 million increase countywide of which the General Fund impact is approximately $4 million.

State Budget Update

Revenue for the State of California continues to fluctuate at the close of the Fiscal Year. However, the most current report from the State Controller's Office shows California revenues for March of $8 billion were higher than estimates in the Governor's proposed 2018-2019 budget by 6%, and above the 2017-2018

Budget Act projections by 10.8%. For the fiscal year overall, the “big three” sources of State General Fund revenue, including personal income tax (PIT), retail sales and use tax, and corporation tax, are beating estimates in the enacted budget. For the first nine months of the 2017-18 fiscal year, total revenues of $89.1 billion are 3.4 percent higher than expected in the January budget proposal and 6.4% above the enacted budget’s assumptions. Sales tax receipts of $2.1 billion for March were $10.4 million lower than anticipated in the governor’s budget proposal unveiled in January. For the fiscal year, sales tax receipts are $410.1 million higher than the enacted budget’s expectations.

Staff will closely watch the Governor’s May Budget Revision to see what changes are made to the January 2018 Proposed Budget and the related impacts to local concerns.

In-Home Supportive Services (IHSS) Program

At midyear, the Community Services Agency identified an estimated In-Home Supportive Services (IHSS) Maintenance of Effort (MOE), or mandated County Share of $13.3 milllion, pending final figures from the State. The State provided the final allocation in January 2018, reinstating a cap on State participation for IHSS Case Management and Public Authority Administration. Counties and the California Welfare Directors Association have expressed concerns that the allocated amount is not sufficient to meet program mandates. In this current Fiscal Year, the service level in the 2017-2018 Adopted Final Budget is greater than the allocation provided. The department is projecting to spend $1.3 million above the IHSS Case Management allocation for Fiscal Year 2017-2018. Federal funding will provide approximately 50% of the funding for these projected costs. The net impact to the county is approximately $656,935. Staff will continue to analyze the IHSS MOE, and related IHSS program categories with capped State General Fund allocations, and report back to the Board of Supervisors with strategies to mitigate County exposure in the upcoming Budget Year 2018-2019.

Looking Forward

The 2018-2019/2019-2020 Proposed Budget, the County’s first two-year budget, will be presented to the Board of Supervisors for consideration on June 12, 2018. The focus will be on balancing the base operational budget to begin the year, pending resolution of significant budget exposures tied to the State Budget. Additionally, departments will submit their projected year two Spending Plan that will provide insight to future needs and direct long-range planning. Two-year goals and objectives will be designed to position the County to best meet customer needs through partnerships, tools, and technologies in support of Board of Supervisors priorities using sustainable financing strategies.

County staff will continue to view budget impacts through the multi-year, long-range financial model that provides guidance for financial policy and strategy. This will become even more important as the County moves to a two-year budget process wherein year one of each two-year cycle the Proposed and Final Budgets will include second year projections on revenue, appropriation needs, and planned use of fund balance and/or retained earnings. Prudent and targeted spending along with the establishment and maintenance of appropriate financial reserves will be first and foremost in the Proposed Budget.

Key projects in Budget Year 2018-2019 will include continued progression through the Focus on Prevention initiative, with movement on Low-barrier Emergency Shelter (LBES), implementation of the Access Center, continued collaboration through the Community Assessment, Response, and Engagement (CARE) planning process, and efforts focused on strengthening families. Performance Visioning will continue to evolve as departments begin working directly with members of the Board of Supervisors to align department missions, goals and objectives, and success measures within their respective priorities. The Chief Executive Office Human Resources division will advance their efforts to re-brand the office to attract and retain a qualified workforce for the County. Full implementation of two-year budgeting in Budget Year 2018-2019 will require continuous efforts to fine-tune the vision of a multi-year plan, including the development of budget templates, a stream-lined financial document, updated reporting and presentation, and staff training and workshops to ensure a smooth transition into this new world.

2018-2019/2019-2020 PROPOSED BUDGET SCHEDULE

The following schedule is recommended for the 2018-2019/2019-2020 Proposed and Final Budget:

2018-2019/2019-2020 PROPOSED AND FINAL BUDGET SCHEDULE	
June 1, 2018	2018-2019/2019-2020 Proposed Budget available to the public on County website
June 12, 2018	2018-2019/2019-2020 Proposed Budget Presentation to the Board of Supervisors
September 18, 2018	2018-2019/2019-2020 Final Budget Public Hearing and Presentation to the Board of Supervisors

While the beginning of the 2017-2018 Third Quarter Financial Report gives an update and overview of the County budget as a whole, the following sections of the report detail the recommended Third Quarter Budget adjustments. These adjustments are presented by department and categorized within the Board of Supervisors' Priorities included within the Adopted Final Budget for 2017-2018 of: A Safe Community, A Healthy Community, A Strong Local Economy, A Strong Agricultural Economy/Heritage, A Well Planned Infrastructure System, and Efficient Delivery of Public Services.

A Safe Community

COUNTY DEPARTMENTS

CEO-OES/Fire Warden
CEO-Capital Projects
CEO-County Operations
District Attorney
Grand Jury
Integrated County Justice Information System
Probation
Public Defender
Sheriff

A Safe Community

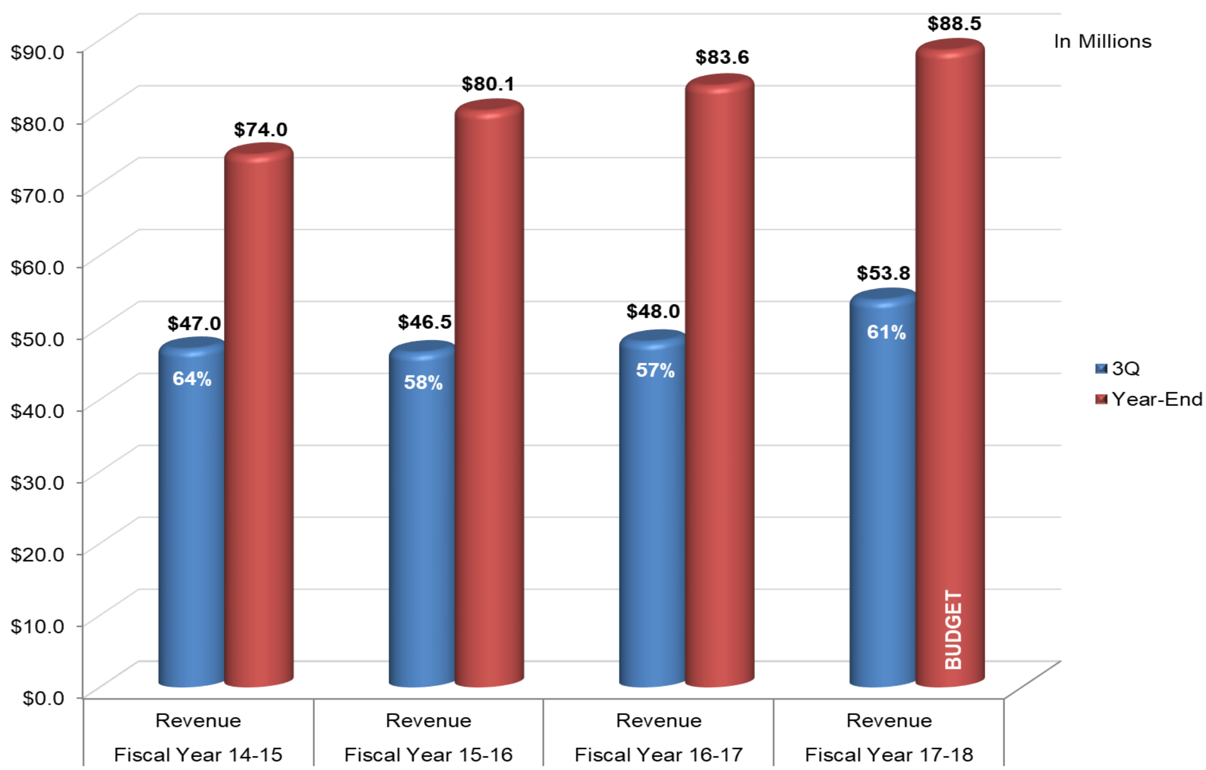
OVERVIEW

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

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Safe Community as of March 31, 2018, actual revenue collected is $53.8 million, which represents 61% of the estimated annual revenue. This is within the range when compared to the third quarter point of the prior three years when collections ranged from 57% to 64% of the final actual revenue.

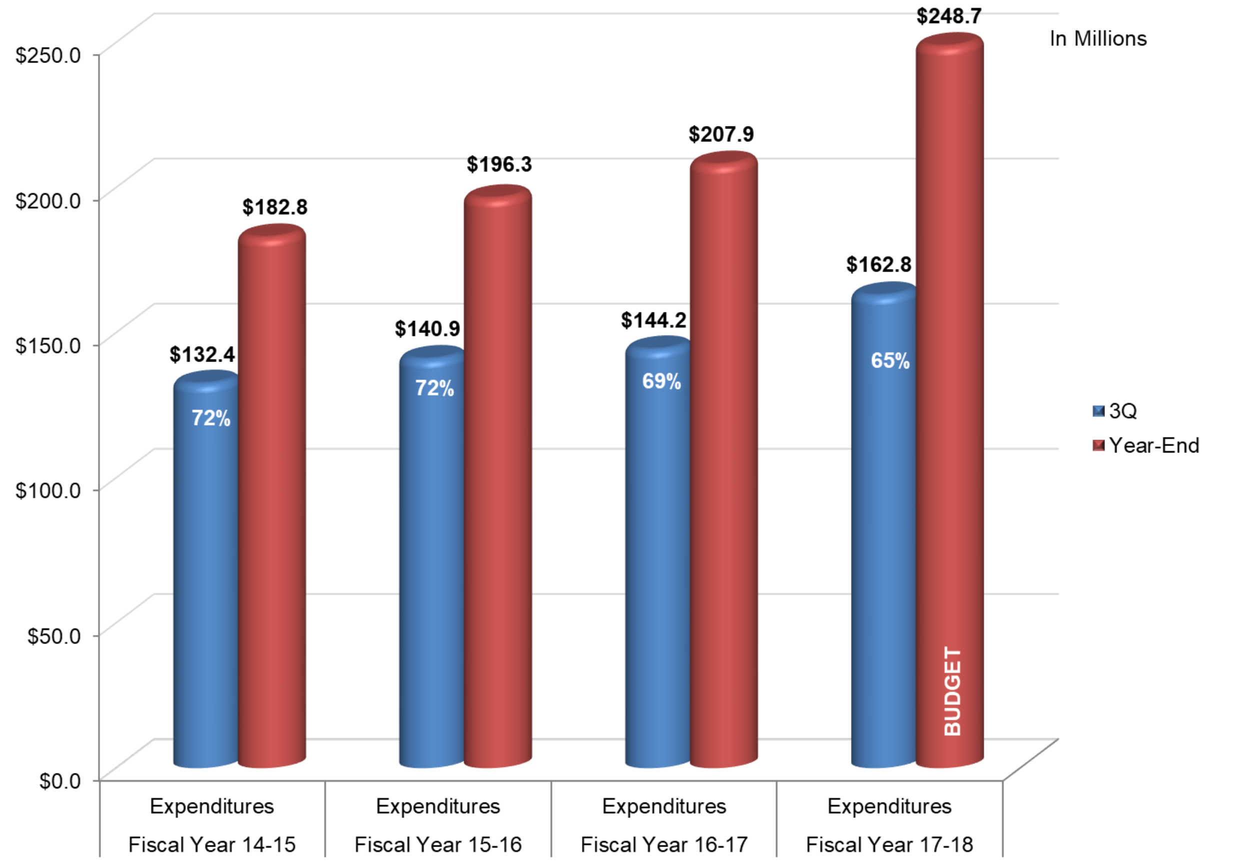
A Safe Community
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2018, expenditures are $162.8 million, representing 65% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 69% to 72% of the final actual expenditures, placing this year below the range. This is mainly due to ongoing recruitment and retention challenges in Public Safety positions and resulting salary savings.

A Safe Community
Four-Year Expenditure Comparison



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

THIRD QUARTER ISSUES AND RECOMMENDATIONS

The recommendations contained in this report for A Safe Community, including technical adjustments, will increase appropriations by $2,563,433 and increase estimated revenue by $73,306, along with $60,000 in increased use of departmental fund balance and an increase in Net County Cost of $2,430,127.

PUBLIC DEFENDER

For the Public Defender, it is recommended to increase appropriations by $110,723. The increased appropriations are offset by use of $45,723 in one-time 2011 Realignment growth funds from Fiscal Year 2016-2017, received in Fiscal Year 2017-2018, and an increased Net County Cost of $65,000.

One-time 2011 Realignment growth funds are dedicated to funding discretionary vacation cash outs for staff. In addition, a budget adjustment is recommended for investigative services; the department identified this exposure at the beginning of the fiscal year, due to the large number of open special circumstances homicide cases that require investigative services. As a result, an increase of $65,000 for investigative services is recommended.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Public Defender	$45,723	$45,723	$0	$0	Increase appropriations and estimated revenue for vacation cash-outs. Estimated revenue is a one-time increase for 2011 realignment growth funds for Fiscal Year 2016-2017 received in Fiscal Year 2017-2018.
Public Defender	$0	$65,000	$0	$65,000	Increase appropriations for Investigative Services due to the large number of open special circumstance homicide cases.
Total	**$45,723**	**$110,723**	**$0**	**$65,000**	

Summary of Recommendations: It is recommended to increase appropriations by $110,723 funded with an increase of $45,723 in estimated departmental revenue and an increase in Net County Cost of $65,000, representing a transfer of $65,000 from Appropriations for Contingencies.

SHERIFF

It is recommended to increase appropriations by $989,210 for the Sheriff's Department. The increase in appropriations is offset by an increase of $27,583 in estimated revenues, use of $60,000 in fund balance and an increase of $901,627 in Net County Cost. The adjustments are in the following areas:

Administration – The Department has identified a decrease in estimated revenue in the amount of $191,000 and as a result, it is recommended to increase the use of fund balance from the General Fund. The decrease is attributable to Concealed Carry Weapon (CCW) permit revenue trending lower than anticipated. In Fiscal Years 2014-2015 through 2016-2017, Department staff worked overtime to process CCW permits which had a waiting period of over one year. The additional work performed to get CCW's processed decreased the waiting period and increased the amount of revenue collected for the CCW permits during those fiscal years and was not representative of future collections. There is currently no backlog or waiting period for CCW permits. As part of the CCW process, applicant fingerprints are processed through the Department of Justice (DOJ). While CCW related costs from DOJ have decreased, the overall costs are not expected to decrease due to an offsetting increase related to Adult Detention Expansion. This increase is attributable to more applicants and vendors who will work in the new facilities. In calendar year 2017, 534 applicants were fingerprinted compared to 377 applicants in 2016.

Adult Detention Expansion – An increase in appropriations of $900,000 is recommended to purchase two inmate transportation buses. The AB900 Phase II and SB 1022 funding for jail expansion did not provide for transportation buses. This purchase is necessary due to the closure of the downtown Men's Jail and the need to transport inmates daily to court. Currently, there are up to 200 inmates transported on a daily basis to court, appointments, and jail facility transfers using a fleet of passenger vans. The transportation buses are an investment that will improve the efficiency and safety of inmate transportation. This is a one-time cost recommended in the current fiscal year, due to the significant lead-time, estimated at approximately five to six months, required for delivery of the buses after the order is placed.

CAL ID: An increase to appropriations of $35,000 is recommended to replace a Livescan machine. The purchase will allow the Department to continue to process fingerprint Livescans and avoid delays due to downtime. The existing machine is past its useful life. This is one-time purchase and funding is available through Departmental fund balance.

Court Security: At Third Quarter, it is recommended to decrease appropriations by $292,373 to reflect salary savings projected for this Fiscal Year. The Department has been working closely with Courts staff all year to plan for Court security staff needs and have achieved efficiencies resulting in salary cost savings. Earlier in the year, the Department hired part-time extra help staff to temporarily fill two positions left vacant due to retirements. The extra help positions have added to the savings that have materialized in salaries this Fiscal Year. The appropriation reduction will fully mitigate the non-mandated county contribution of $292,373 included in the Adopted Final Budget.

Driver Training Program: It is recommended to increase appropriations by $25,000 for additional costs of contract employee services in the Emergency Vehicle Operations Center, which are higher than previously anticipated. The increase will be funded with Departmental fund balance.

Operations: An increase in appropriations of $289,583 is recommended, funded by $186,583 in estimated revenue and $103,000 in increased Net County Cost through a transfer from Appropriations for Contingencies, as described below.

The Department has received a request from the Stanislaus Drug Enforcement Agency to increase summer flights. These flights patrol the County on weekends from Memorial Day through Labor Day on an overtime basis. An increase of $70,000 to appropriations and estimated revenue is recommended to cover the cost of this service request.

The Department requested to increase appropriations by $267,006 to fund unforeseen overtime costs for Sheriff's Deputies and Sergeants related to increases in death investigations and coroner cases. A review of the approved overtime budget and existing salaries, adjusted for Labor MOU impacts, along with the approval at midyear to fund one additional Coroner position has resulted in a supported increase of $103,000. This adjustment is recommended to account for the impact of salary budget adjustments that have occurred throughout the Fiscal Year.

In February 2017, the Department provided assistance for a county flood emergency. In partnership with the Auditor-Controller's Office, an invoice claim was submitted requesting reimbursement from the Federal Emergency Management Agency (FEMA) and the California Office of Emergency Services. The claim was approved and $82,583 in revenue was received in the current fiscal year for services and costs paid in the prior year. The funds will be used to upgrade the Department's K-9 and Bomb Team work areas. As a result, it is recommended to increase appropriations and estimated revenue by $82,583.

Finally, an increase in appropriations and estimated revenue of $34,000 is recommended to replace a patrol vehicle totaled in a vehicle accident. Funds have been received through an insurance claim and the Department plans to use these funds to replace the totaled vehicle. The replacement cost includes the necessary equipment and laptop computer needed to outfit the vehicle.

Vehicle Theft Unit: It is recommended to increase both appropriations and estimated revenue in the amount of $32,000 to fund unanticipated overtime costs and revenue for the Vehicle Theft Program. Investigator time in this unit was not anticipated and these additional costs have necessitated the increase.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Sheriff Administration	($191,000)	$0	$0	$191,000	Decrease Estimated Revenue related to Concealed Carry Weapon (CCW) permit fees.
Sheriff Adult Detention Expansion	$0	$900,000	$0	$900,000	Increase appropriations in Fixed Assets for 2 Transportation buses for AB900 Phase II project in order to transport inmates.
Sheriff CAL ID Program	$0	$35,000	$35,000	$0	Increase appropriations for the purchase of a replacement Livescan machine using departmental fund balance.
Sheriff Court Security	$0	($292,373)	$0	($292,373)	Reduce appropriations in Salaries and Benefits to reflect achieved efficiencies in Court Security costs. This reduction offsets the County's non-mandated contribution.
Sheriff Driver Training Program	$0	$25,000	$25,000	$0	Increase appropriations for Employee Contract Services
Sheriff Operations	$82,583	$82,583	$0	$0	Increase appropriations and estimated revenue for services provided related to the 2017 Floods emergency event.
Sheriff Operations	$0	$103,000	$0	$103,000	Increase appropriations for a technical adjustment to overtime.
Sheriff Operations	$70,000	$70,000	$0	$0	Increase appropriations and estimated revenue for additional Stanislaus Drug Enforcement Agency funding for summer flights.
Sheriff Operations	$34,000	$34,000	$0	$0	Increase appropriations and estimated revenue for vehicle and equipment replacement using insurance proceeds received for a Patrol vehicle totalled in an accident.
Sheriff Vehicle Theft Unit	$32,000	$32,000	$0	$0	Increase appropriations and estimated revenue for additional overtime costs related to increased investigator time.
Total	**$27,583**	**$989,210**	**$60,000**	**$901,627**	

Summary of Recommendations: It is recommended to increase appropriations by $989,210 funded by an increase of $27,583 in estimated departmental revenue, $60,000 of departmental fund balance and $901,627 in Net County Cost. This includes $1,003,000 in Appropriations for Contingencies offset by a decrease of $101,373 in use of General Fund balance.

A Healthy Community

COUNTY DEPARTMENTS

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

A Healthy Community

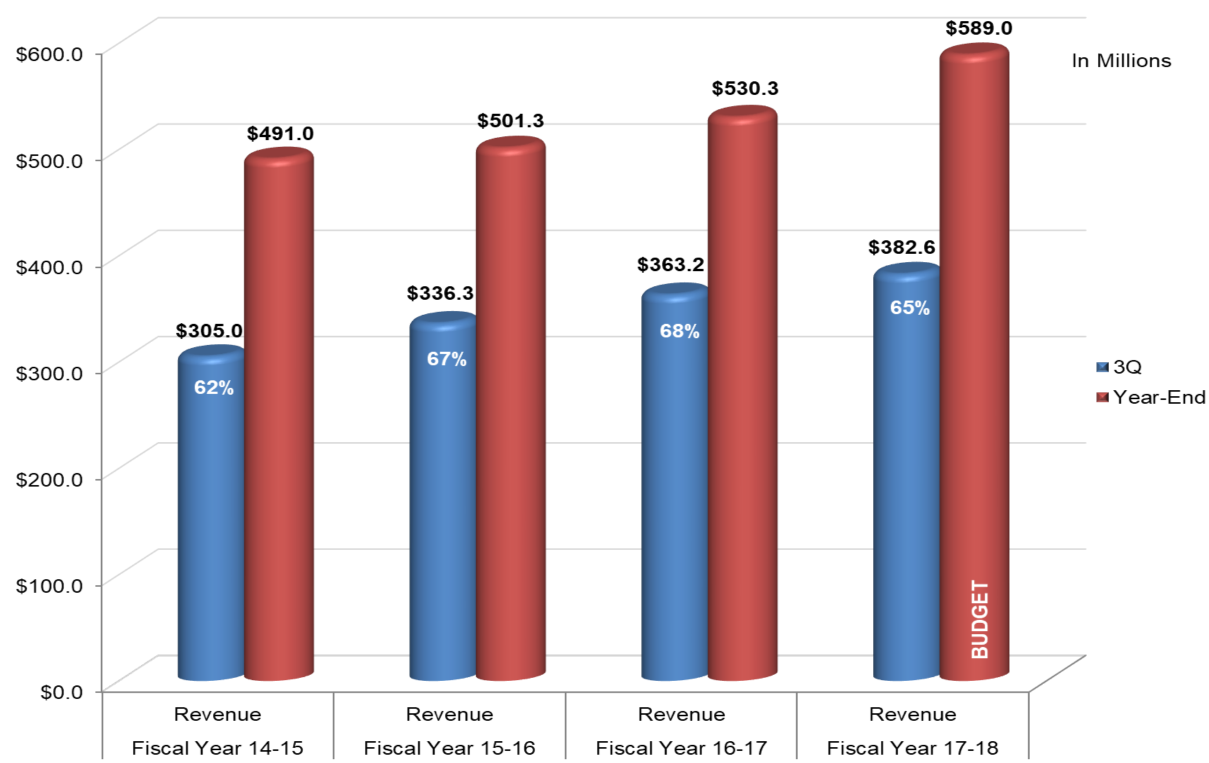
OVERVIEW

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

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Healthy Community as of March 31, 2018, actual revenue is $382.6 million, which represents 65% of the estimated annual revenue. This is within the range when compared to the third quarter point of the prior three years when collections ranged from 62% to 68% of the final actual revenue.

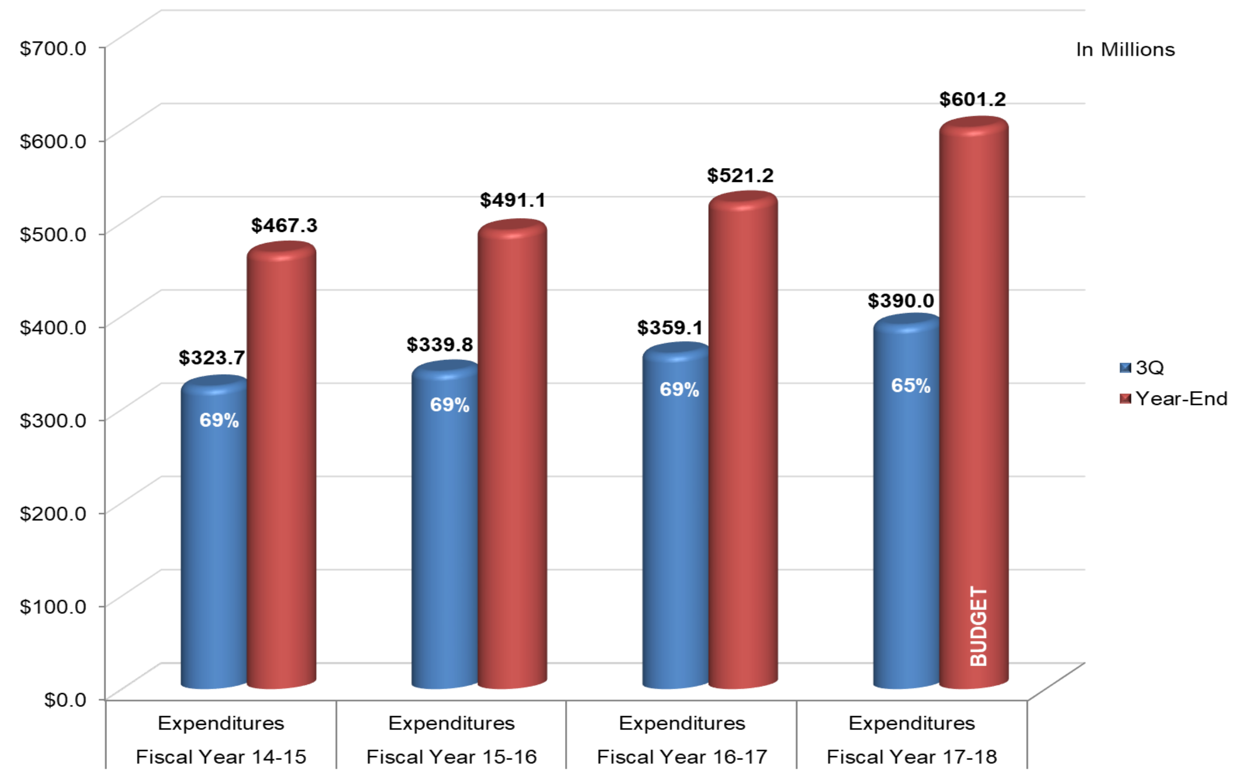
A Healthy Community
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2018, expenditures were $390 million, representing 65% of the budgeted appropriations. Expenditures at the third quarter point of the three prior years have been 69% of the final annual expenditures, placing this year's expenditures below the range. This is primarily due to the timing of the invoicing by contractors for the Community Service Agency Services and Support Programs.

A Healthy Community
Four-Year Expenditure Comparison



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

THIRD QUARTER ISSUES AND RECOMMENDATIONS

The recommendations contained in this report will increase appropriations in the Healthy Community programs by $5,353,055, funded by an increase in estimated revenue of $5,115,055 and increased use of department fund balance in the amount of $238,000.

BEHAVIORAL HEALTH AND RECOVERY SERVICES

Mental Health Services Act: The Department is requesting to transfer $176,937 from Fixed Assets and $180,963 from Other Charges, for a total transfer of $357,900 to Services and Supplies. Both transfers are recommended, and will support the increased demand for placements in Institutions for Mental Disease (IMDs). The Department is experiencing a shortage of transitional and board-and-care facilities, which provide a lower level of care option for clients served in IMDs, forcing clients to remain in IMDs longer than anticipated. Additionally, the number of clients who are combative in nature, requiring a higher and more costly level of care within the IMD treatment spectrum have increased this fiscal year. This request is in support of ongoing community mental health services, which are mandated activities.

Alcohol and Drug Program: An increase in appropriations of $850,000 is recommended, funded by an increase in estimated revenue of $612,000 and increased use of departmental fund balance of $238,000 in the Alcohol and Drug budget. This adjustment is due to an increased demand for Drug Medi-Cal (DMC) Narcotic Replacement Therapy (NRT) services, which is an entitlement program under the Federal Medicare/Medicaid Program. On July 28, 2017, the State Department of Health Care Services released Information Notice 17-036 transferring responsibility for the provision of services from the county of service to the county of residence; Stanislaus County is now responsible for providing services to residents of Stanislaus County, regardless of the location of service. This adjustment will increase the Aegis Treatment Centers' contract through June 2018.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
BHRS - Mental Health	$0	($176,937)	($176,937)	$0	Transfer appropriations from Fixed Assets to Services and Supplies.
BHRS - Mental Health	$0	$176,937	$176,937	$0	Transfer appropriations into Services and Supplies from Fixed Assets for the provision of adult residential mental health services.
BHRS - Mental Health	$0	($180,963)	($180,963)	$0	Transfer appropriations from Other Charges to Services and Supplies.
BHRS - Mental Health	$0	$180,963	$180,963	$0	Transfer appropriations into Services and Supplies from Other Charges for the provision of adult residential mental health services.
BHRS - Alcohol and Drug	$612,000	$850,000	$238,000	$0	Increase appropriations, estimated revenue, and use of departmental fund balance for the provision of Narcotic Replacement Therapy (NRT) services.
Total	**$612,000**	**$850,000**	**$238,000**	**$0**	

Summary of Recommendations: It is recommended to increase appropriations by $850,000 in the Alcohol and Drug budget, funded by an increase in estimated revenue by $612,000 and the use of $238,000 in departmental fund balance. Additionally, it is recommended to transfer $357,000 from Fixed Assets and Other Charges to Services and Supplies in the Mental Health budget unit.

COMMUNITY SERVICES AGENCY

Services and Support: It is recommended to decrease appropriations by $161,860 in IHSS Administration and Case Management and redirect the savings as a one-time transfer of Net County Cost/County Match by $161,860 to the General Assistance budget.

Public Economic Assistance: An increase in both appropriations and estimated revenue of $4,457,431 is recommended due to caseload trends increasing in Foster Care, Extended Foster Care and Adoptions. The Fiscal Year 2017-2018 Adopted Final Budget caseload was budgeted at 668; as of February 2018, the caseload average is 707 with cases anticipated to continue to increase for children requiring out of home placement. The increase in estimated revenue includes $3,463,938 million in Federal and State funding and anticipated 1991 Realignment Growth funding of $993,493.

General Assistance: An increase in revenue of $45,624 and increased appropriations of $207,484, are recommended, which includes a one-time redirection of $161,860 in General Fund Contribution from

Services and Support to cover the projected exposure in General Assistance. This redirection of County General Fund contribution will support the projected shortfall in General Assistance due to the increased costs for Foster Care High-Needs Youth. High-Needs Youth are in need of the greatest levels of care and for periods of time that can vary significantly in length. There is a significant demand for high needs placements across the State making placements extremely difficult. The Continuum of Care Reform (CCR) requirement for short-term stays in the highest levels of care placements is insufficient to meet the needs of High-Needs Youth, as the projected timeframes to stabilize these youth are 12-24 months. The Department continues to be challenged to find both in-county and out-of-county placements that have a foster care rate for youth who manifest such extreme high-needs behavior that it is unsafe or unreasonable to place them in a family-based setting. In such cases, the High-Needs Youth may require 24-hour monitoring by the Department social worker staff until an appropriate placement can be located.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
CSA- Services & Support		($161,860)		($161,860)	Decrease In Home Supportive Services (IHSS) salaries with a corresponding decrease in Net County Cost.
CSA- Public Economic Assistance	$4,457,431	$4,457,431	$0	$0	Increase appropriations due to increase in caseload trends for Foster Care, Extended Foster Care and Adoptions corresponding revenue Federal/State of $3,463,938 and anticipated 1991 Realignment growth of $993,493 due to updated Jan 2018 Governor's Budget projections.
CSA- General Assistance	$45,624	$207,484	$0	$161,860	Increase revenue, appropriations and Net County Cost to fund increased costs in General Assistance Foster Care High-Needs Youth placements.
Total	**$4,503,055**	**$4,503,055**	**$0**	**$0**	

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue by $4,503,055 and support a transfer of $161,860 in General Fund contribution from CSA-Services and Support to CSA-General Assistance.

A Strong Local Economy

COUNTY DEPARTMENTS

CEO – Economic Development Bank
Library
Workforce Development

A Strong Local Economy

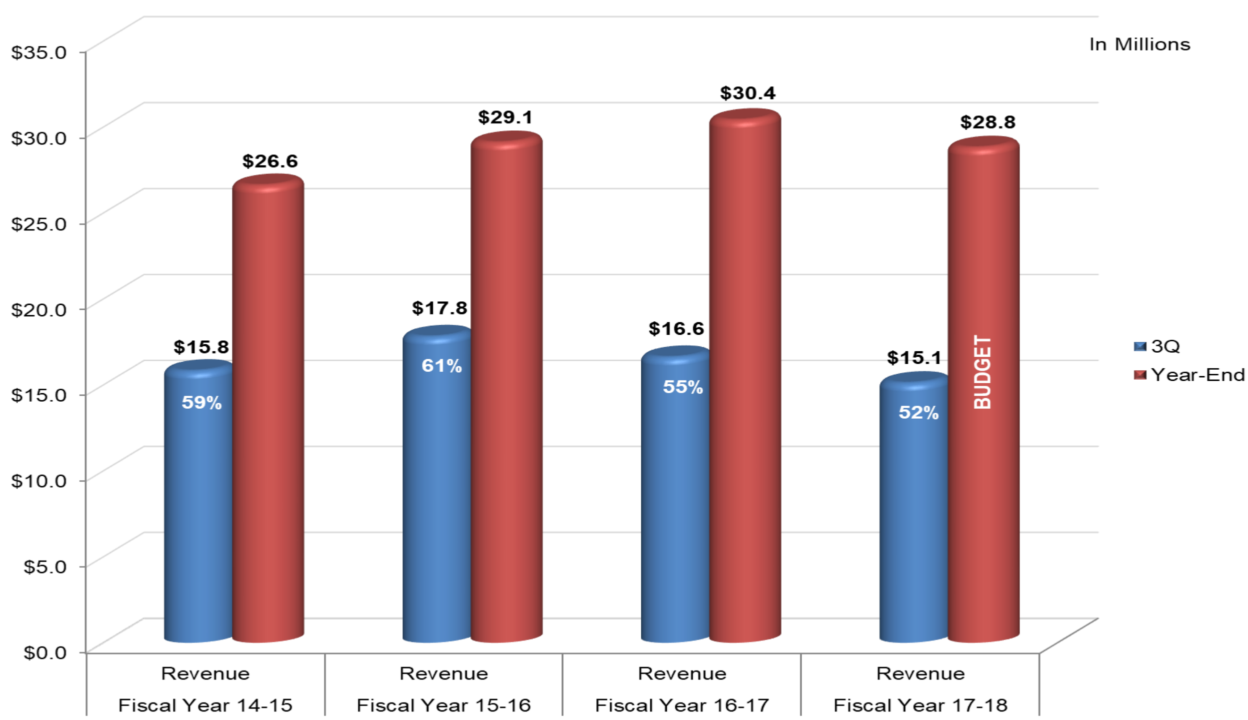
OVERVIEW

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

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Strong Local Economy as of March 31, 2018, actual revenue collected is $15.1 million, which represents 52% of the estimated annual revenue. This is below the range when compared to third quarter of the prior three years when collections were 55% to 61% of the final actual revenue. This is due to reduced costs associated with StanWORKs services due to lower participant levels which has generated less revenue for Workforce Development.

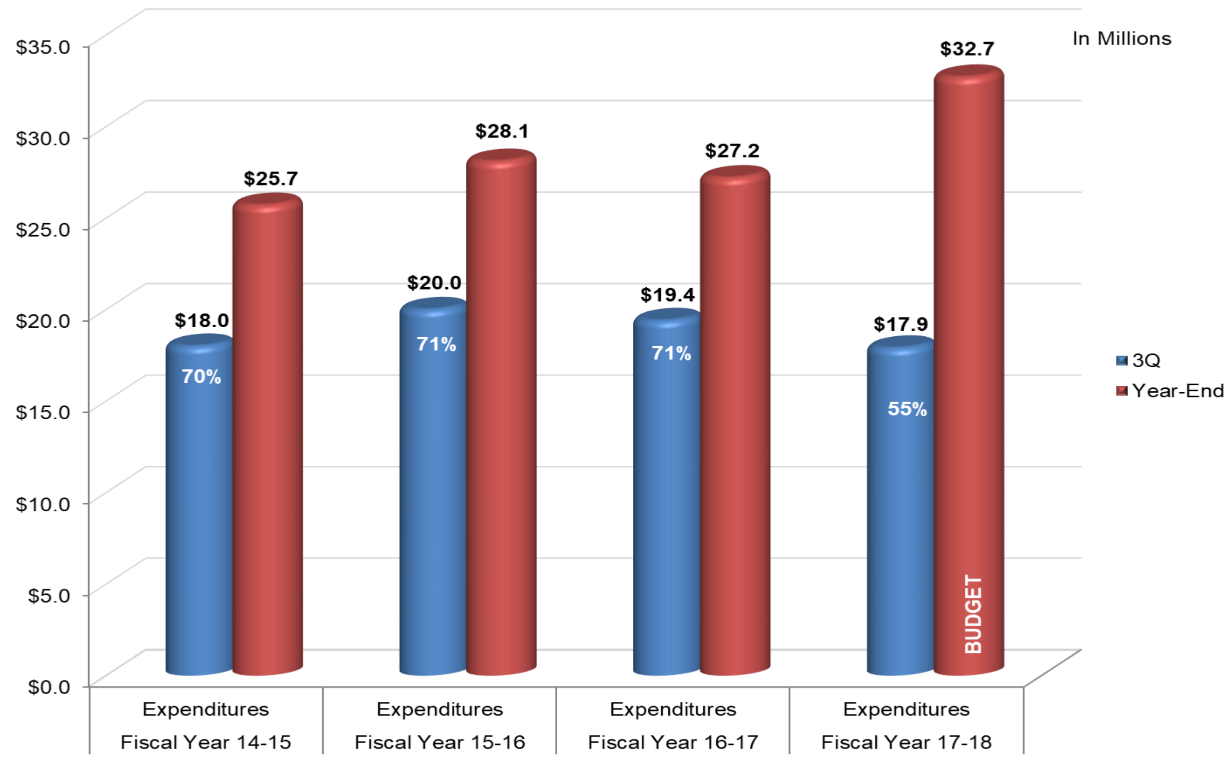
A Strong Local Economy
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2018, expenditures are $17.9 million, representing 55% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 70% to 71% of the final actual expenditures, placing this year below the range. This is due to reduced costs associated with StanWORKs services due to lower participant levels which has generated less expenditures for Workforce Development.

A Strong Local Economy
Four-Year Expenditure Comparison



Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Strong Local Economy are projected to end the year within budget and in a positive fiscal position.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

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

A Strong Agricultural Economy/Heritage

COUNTY DEPARTMENTS

Agricultural Commissioner
Cooperative Extension

A Strong Agricultural Economy/Heritage

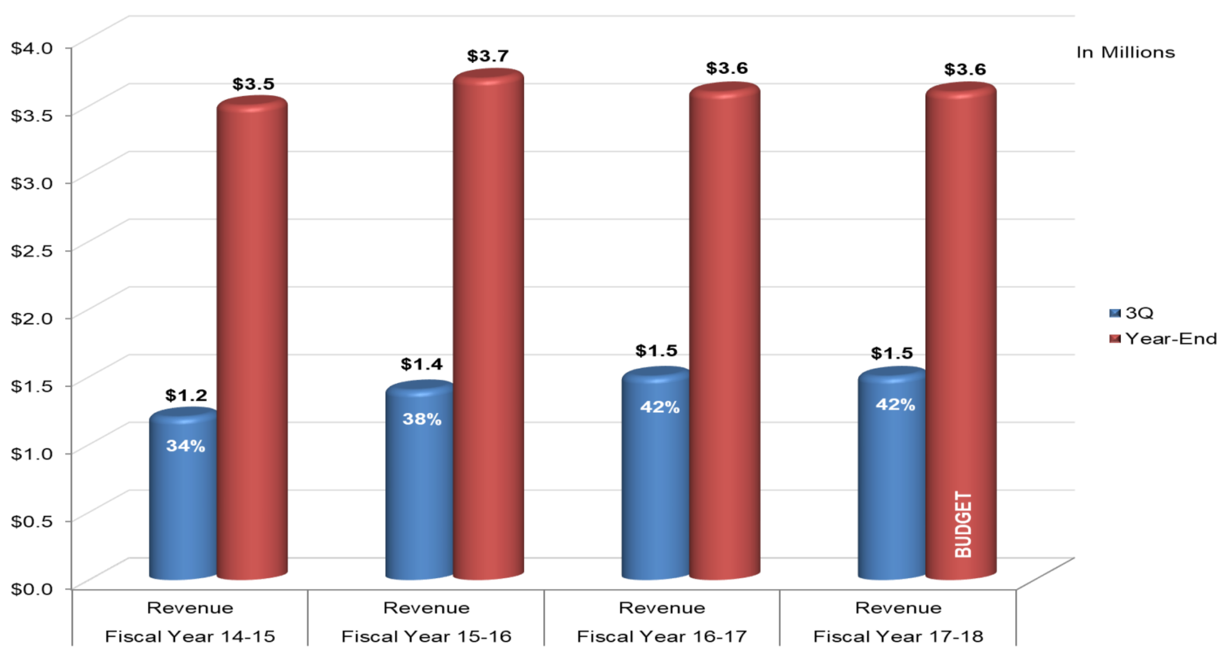
OVERVIEW

The Board of Supervisors priority area of A Strong Agricultural Economy/Heritage recognizes the vital role of the County's number one industry that generates $3.2 billion per year for County residents. Farmland conversion, air pollution, soil salinity and drainage, agricultural water supply and water quality, and preservation of our unique agricultural heritage are key aspects of A Strong Agricultural Economy/Heritage. Departments assigned to this priority area include: Agricultural Commissioner's Office and Cooperative Extension. The major funding source for these County budgets is contributions from the General Fund. The Agricultural Commissioner receives State funding for a number of programs as well as charges for specific services. While not part of the County budget, Cooperative Extension's University of California advisors are funded through the University of California system with staff support services provided by the General Fund.

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Strong Agricultural Economy/Heritage, as of March 31, 2018, actual revenue collected is $1.5 million, which represents 42% of the estimated annual revenue. This is within the historical range when compared to third quarter of the prior three years when collections were 34% to 42% of the final actual revenue.

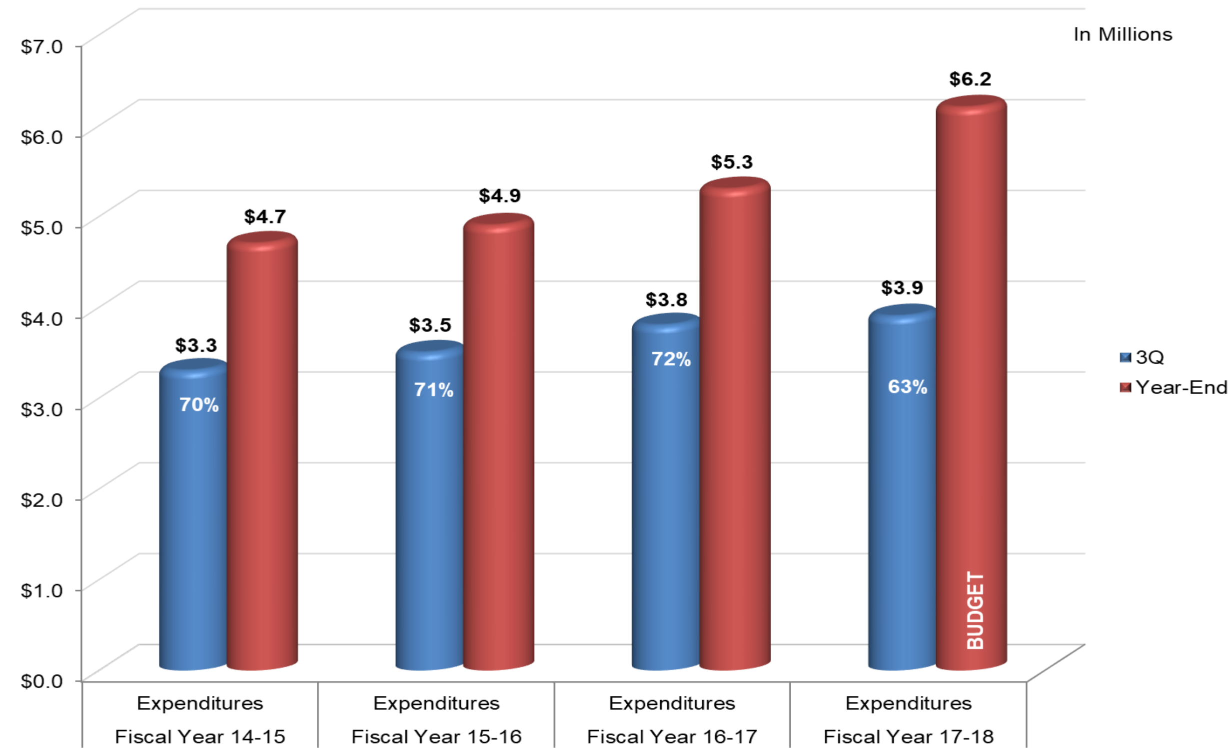
A Strong Agricultural Economy/Heritage
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2018, expenditures are $3.9 million, representing 63% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 70% to 72% of the final actual expenditures, placing this year below the range, which is consistent with departments in this priority that have carried over Net County Cost savings at fiscal year-end.

A Strong Agricultural Economy/Heritage
Four-Year Expenditure Comparison



Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Strong Agricultural Economy/Heritage are projected to end the year within budget and in a positive fiscal position.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

The recommendations contained in this report for the departments within the Strong Agricultural Economy/Heritage will decrease appropriations and estimated revenues by $3,128.

COOPERATIVE EXTENSION

The Department identified a need to decrease estimated revenue and related appropriations in Salaries and Benefits in the amount of $3,128 to reflect loss of anticipated revenue from low-yield, low-priced, almond harvest. This adjustment is recommended to accurately reflect current year operations.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Cooperative Extension	($3,128)	($3,128)	$0	$0	Decrease in revenue and appropriations in Salaries and Benefits to reflect loss of anticipated revenue from low-yield, low-priced almond harvest.

Summary of Recommendations: It is recommended to decrease estimated revenue and appropriations in Salaries and Benefits by $3,128 for Cooperative Extension, resulting in no impact to Net County Cost.

A Well Planned Infrastructure System

COUNTY DEPARTMENTS

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

A Well Planned Infrastructure System

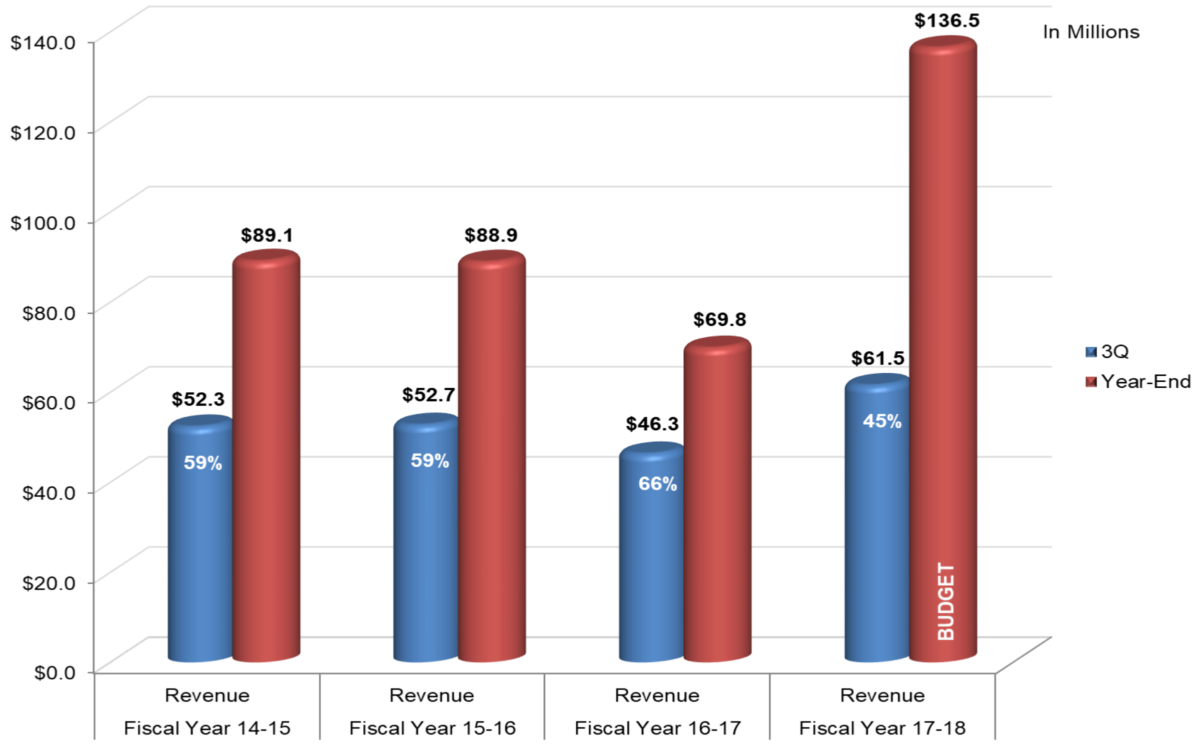
OVERVIEW

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

DEPARTMENTAL REVENUE

For the departmental budgets that are part of the Board of Supervisors priority area of A Well Planned Infrastructure System, as of March 31, 2018, actual revenue collected is $61.5 million, which represents 45% of the estimated annual revenue. This is below the range when compared to third quarter of the prior three years when collections ranged from 59% to 66% of the final actual revenue. The lower percentage of revenue is due to the timing of road and bridge projects compared to the prior year. Road capital projects are fully budgeted in the current year; however, actual expenditures occur over multiple years.

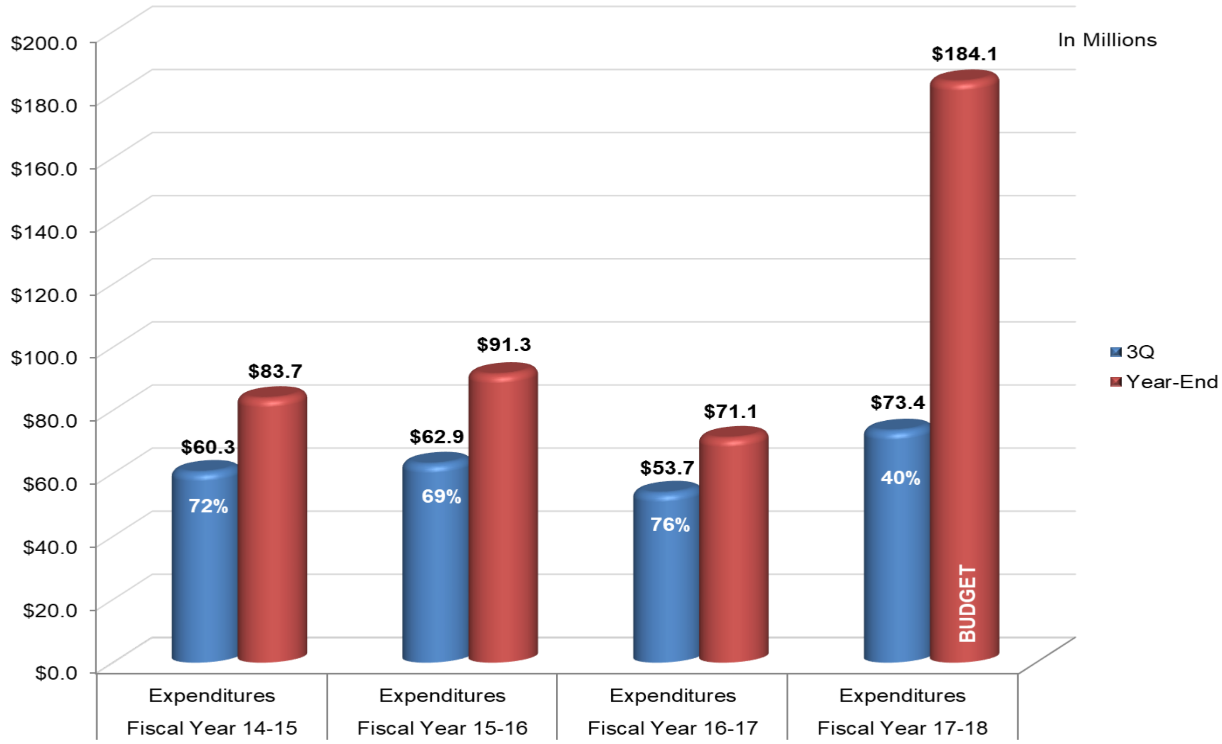
A Well Planned Infrastructure System
Four-Year Revenue Comparison



DEPARTMENTAL EXPENDITURES

As of March 31, 2018, expenditures are $73.4 million, representing 40% of the budgeted appropriations. Expenditures at the third quarter of the prior three years ranged from 69% to 76% of the final actual expenditures, placing this year's expenditures below the range. The lower percentage is primarily due to the timing of road and bridge projects compared to the prior year. Road capital projects are fully budgeted in the current year, however actual expenditures occur over multiple years. Three large construction and bridge projects have been awarded contracts with the Santa Fe Bridge project currently in construction, and Warnerville/Bentley and Keyes/Faith Home Intersection projects anticipated to begin later this fiscal year.

A Well Planned Infrastructure System
Four-Year Expenditure Comparison



Overall, estimated revenue and appropriations for the departments within A Well Planned Infrastructure System are on track to end the year within budget and in a positive fiscal position.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

The recommendations contained in this report for a Well Planned Infrastructure System will increase estimated revenue $97,055 and appropriations by $448,299 increasing Net County Cost by $351,244.

ENVIRONMENTAL RESOURCES

The Department is requesting an increase in appropriations of $124,988 for Hydrological Services, which is recommended to support the following activities related to the State's Substitute Environmental Document, the County's Groundwater Ordinance, administration of the PEIR grant, update of the County's groundwater database, and the administration of CEQA-related services.

- Review and respond to the State Water Board's Final Substitute Environmental Document (SED) pertaining to a 30% - 50% increase in unimpaired flow requirements.
- Updates and refinements to the County Groundwater Ordinance, discretionary well permitting program, and/or implementation of recommendations or mitigation measures proposed for the PEIR.
- PEIR funding for grant administration, client communication, reporting, project scope, and management. Prepare and respond to public and agency comments concerning the PEIR.

- Updating of the County's groundwater database with additional well information and available specific capacity test data.
- Management and administration of CEQA related services, such as well permitting and ordinance implementation, for the next 12 months.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Environmental Resources	$0	$124,988	$0	$124,988	Increase appropriations for Hydrological Services contract related to the PEIR.
Total	**$0**	**$124,988**	**$0**	**$124,988**	

Summary of Recommendations: It is recommended to increase appropriations by $124,988 for Environmental Resources, resulting in an increase to Net County Cost of $124,988.

PARKS AND RECREATION

The Department is requesting to increase estimated revenue and appropriations in the amount of $60,000 to maintain park maintenance services to Community Services Area (CSA) 10, Salida. This adjustment is recommended, and is funded with the use of CSA 10 fund balance, which as of July 1, 2017 was $151,551.

The Department is also requesting an increase in appropriations of $82,324 auto liability charges, and non-Morgan Road shop vehicles (heavy equipment maintenance) charges.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Parks and Recreation	$60,000	$60,000	$0	$0	Increase revenue and appropriations for extra help Park Aides funded by CSA 10, Sailda, for landscape and maintenance services.
Parks and Recreation	$0	$82,324	$0	$82,324	Increase appropriations for Auto Liability charges and Non-Morgan Road shop vehicles CAP accounts.
Total	**$60,000**	**$142,324**	**$0**	**$82,324**	

Summary of Recommendations: It is recommended to increase estimated revenue by $60,000 and appropriations by $142,324 for Parks and Recreation, resulting in an increase in Net County Cost of $82,324.

PLANNING AND COMMUNITY DEVELOPMENT

For the Planning and Community Development, an increase in appropriations of $51,055 is recommended in Salaries & Benefits for Extra Help expenses and increased Salaries & Benefits costs. Of this increase, $37,055 is for Extra Help who have been assisting in the administration of federal and state grant programs such as the Community Development Block Grant (CBDG), Emergency Solutions Grant (ESG), and California-Emergency Solutions Grant (CA-ESG) programs. Extra Help expenses are entirely offset by grant revenue.

The Department has 18 allocated positions, and personnel changes that deviate from budget assumptions can have a significant effect on a budget for a department of this size. In this fiscal year, the department experienced two promotions, and two vacant positions budgeted at step one were filled at the mid-range or above. As a result, the Department requires an additional $14,000 in appropriations funded by an increase in Net County Cost.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Planning & Community Development	$37,055	$51,055	$0	$14,000	Increase in estimated revenue and appropriations for Extra Help and increased Salaries & Benefits costs.
Total	**$37,055**	**$51,055**	**$0**	**$14,000**	

Summary of Recommendations: It is recommended to increase estimated revenue by $37,055 and appropriations by $51,055 for Planning & Community Development, resulting in an increased use of Net County Cost of $14,000.

Efficient Delivery of Public Services

COUNTY DEPARTMENTS

Assessor
Auditor-Controller
Board of Supervisors
Chief Executive Office
CEO-County Operations
CEO-Risk Management Division/Self-Insurance Funds
Clerk-Recorder
County Counsel
General Services Agency
Strategic Business Technology
Treasurer-Tax Collector

Efficient Delivery of Public Services

OVERVIEW

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

DEPARTMENTAL REVENUE

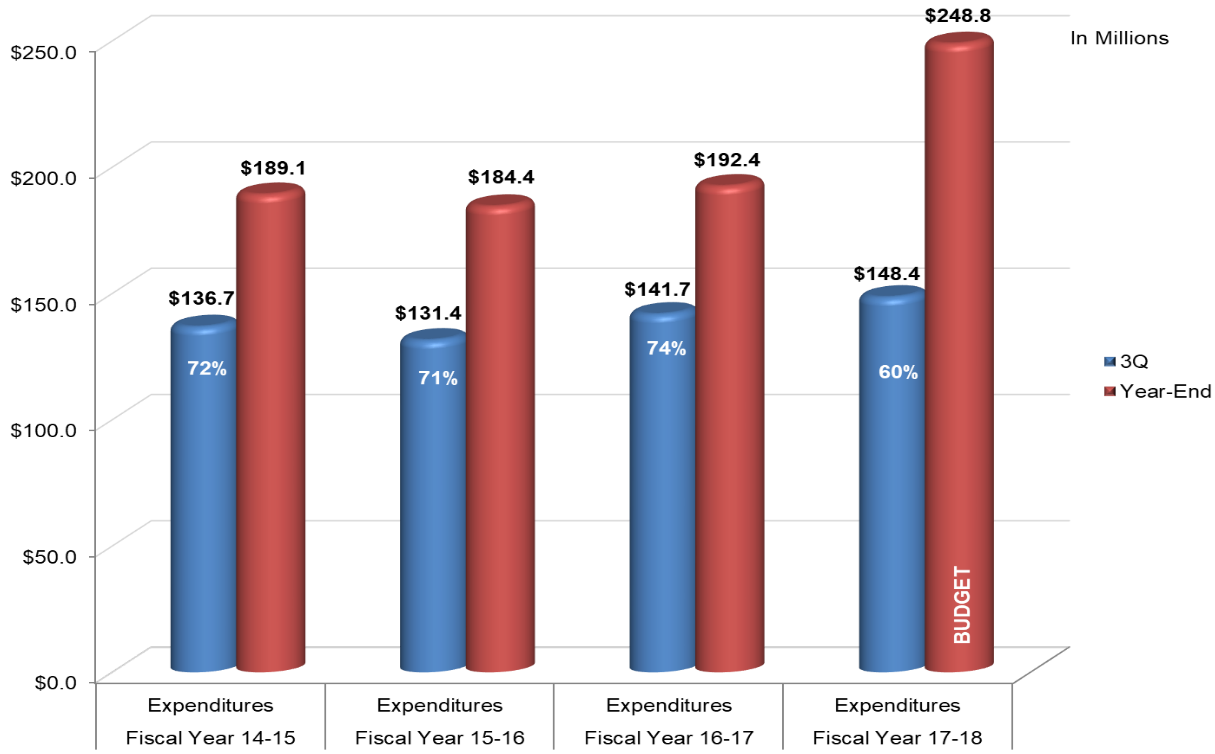
For the departmental budgets that are part of the Board of Supervisors priority area of Efficient Delivery of Public Services, actual revenue collected as of March 31, 2018, is $112.3 million, which represents 72% of the estimated annual revenue. This is within the historical range when compared to the third quarter point of the prior three years when collections ranged from 69% to 74% of the final actual revenue.

Efficient Delivery of Public Services
Four-Year Revenue Comparison

DEPARTMENTAL EXPENDITURES

As of March 31, 2018, expenditures are $148.4 million, which represents 60% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 71% to 74% of the final actual expenditures, placing this year below the range. The lower percentage of expenditures at Midyear compared to budget is partially attributable to projects in the Chief Executive Office budgets. The Chief Executive Office - Plant Acquisition budget includes approximately $3.8 million in funds remaining in the deferred maintenance program for all County facilities, other on-going capital projects, such as the Human Resources space remodel, and one-time supplies for completed Public Safety projects. The Chief Executive Office – County Facilities budget contains funds set aside for the Alternative Emergency Operations/Harvest Hall remodel project and the Laird Park clean up. The Chief Executive Office - Debt Service budget is anticipated to expend all remaining funds by the end of the fiscal year with a final payment of $7.1 million to the AB 900 Phase II Tobacco fund for the Public Safety Center east. Additionally, the Appropriations for Contingencies budget, used for emergent and unplanned costs, contains a balance of $12.2 million, prior to transfers recommended in this Third Quarter Financial Report.

Efficient Delivery of Public Services
Four-Year Expenditure Comparison



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

THIRD QUARTER ISSUES AND RECOMMENDATIONS

The recommendations contained in this report for Efficient Delivery of Public Services include a decrease in appropriations of $2,480,399, along with an increase in estimated revenue of $1,964,730, and an increase in use of departmental fund balance of $55,000, resulting in a savings in Net County Cost of $4,500,129.

CHIEF EXECUTIVE OFFICE – OPERATIONS AND SERVICES

An increase of $70,000 in appropriations and estimated revenue is recommended for contracted administration support for the County's commercial cannabis permit program. Revenue from the collection of program fees will cover the costs of the contracted service.

Budget Unit Name	Requested				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
CEO - Operations and Services	$70,000	$70,000	$0	$0	Increase revenue and appropriations to cover contract for cannabis program administration.
Total	**$70,000**	**$70,000**	**$0**	**$0**	

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue in the CEO Operations and Services budget to support contracted administrative support for the cannabis program.

CHIEF EXECUTIVE OFFICE – COUNTY OPERATIONS

Appropriations for Contingencies: Appropriations for Contingencies serves as a contingency fund for the County to provide sufficient funding for emergencies and unanticipated expenses. Transfers from this fund require a four-fifths vote of the Board of Supervisors. The 2017-2018 Adopted Final Budget included a total of $13,943,669 in appropriations, of which $5.9 million in base funding was provided for unexpected fiscal and program financial exposures or emergencies which may occur as a result of an economic decline or other program and community needs. An additional $8 million was set aside for anticipated contingencies, including one-time termination cash-out expenses; 5% vacancy rate rebates to Zero-Base General Fund departments that do not experience the anticipated vacancy rate; estimated 2018 health insurance increases, potential labor agreement exposure, potential retirement increases; and Jail Medical for the use of the Outpatient Housing Unit in the Sheriff Detention facilities.

Through March 31, 2018, $1,778,629 in transfers from Appropriations for Contingencies were approved by the Board of Supervisors. Transfers totaling $26,939 were identified in the First Quarter Financial Report and another $1,751,690 was transferred through the Midyear Financial Report. Prior to any Third Quarter Financial Report recommended adjustments, the balance in Appropriations for Contingencies totals $12,165,040.

At this time, the following transfers are recommended, totaling $3,162,514:

- $221,360 to the Assessor and Parks and Recreation departments for 5% Vacancy Rate rebates;
- $1,651,842 to the Auditor-Controller, CEO – Operations and Services, Parks and Recreation, Public Defender, and Sheriff departments for cash-outs;
- $900,000 to the Sheriff – Adult Detention Expansion division for the purchase of two transportation buses for AB 900 Phase II;
- $103,000 to the Sheriff – Operations division for adjustment to salaries for overtime incurred;
- $124,988 to CEO – General Fund Contributions to Other Programs for the increased contribution to Environmental Resources related to PEIR;
- $69,324 to Parks and Recreation for non-Morgan shop vehicle CAP charges;
- $13,000 to Parks and Recreation for an Auto Liability account correction;
- $65,000, to Public Defender to fund an increase in investigative services; and
- $14,000 to Planning and Community Development for increased salary costs.

These actions require a four-fifths vote by the Board of Supervisors. If the requested use of $3,162,514 is approved, a remaining balance of $9,002,526 would be available for use through June 30, 2018.

Following is a summary of recommended adjustments for the Chief Executive Office – Appropriations for Contingencies:

Budget Unit Name	Requested				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
CEO - Appropriations for Contingencies	$0	($221,360)	$0	($221,360)	Transfer to Assessor and Parks and Recreation for 5% Vacancy Rate rebates.
CEO - Appropriations for Contingencies	$0	($1,651,842)	$0	($1,651,842)	Transfer to various General Fund departments to cover cash-outs.
CEO - Appropriations for Contingencies	$0	($900,000)	$0	($900,000)	Transfer to Sheriff - Adult Detention Expansion for the purchase of 2 transportation buses for AB 900 Phase II.
CEO - Appropriations for Contingencies	$0	($103,000)	$0	($103,000)	Transfer to Sheriff - Operations for overtime incurred.
CEO - Appropriations for Contingencies	$0	($124,988)	$0	($124,988)	Transfer to CEO - General Fund Contribution to Other Programs for contribution to Environmental Resources.
CEO - Appropriations for Contingencies	$0	($69,324)	$0	($69,324)	Transfer to Parks and Recreation for non-Morgan shop vehicle CAP charges.
CEO - Appropriations for Contingencies	$0	($13,000)	$0	($13,000)	Transfer to Parks and Recreation for Auto Liability account correction.
CEO - Appropriations for Contingencies	$0	($65,000)	$0	($65,000)	Transfer to Public Defender to fund increase in investigative services.
CEO - Appropriations for Contingencies	$0	($14,000)	$0	($14,000)	Transfer to Planning and Community Development for increased salary costs.
Total	**$0**	**($3,162,514)**	**$0**	**($3,162,514)**	

Summary of Recommendations: It is recommended to transfer appropriations of $3,162,514 from Appropriations for Contingencies, by a fourth-fifths vote of the Board of Supervisors.

<u>Crows Landing Air Facility</u>: An increase in estimated revenue and appropriations of $30,000 is recommended. The Crows Landing Air Facility has seen an increase in special events revenue as a result of temporary uses of the air facility. This increase will fund ongoing costs associated with the development of the Crows Landing Industrial Business Park.

<u>General Fund Contribution to Other Programs:</u> An overall decrease of $167,385 is recommended for this division. A decrease of $292,373 is due to the reduced need in the Sheriff – Court Security budget as department efficiencies have resulted in salary savings. This reduction is offset by an increase of $124,988 for the contribution to Environmental Resources needed for a Hydrological Services contract related to the Program Environmental Impact Report (PEIR).

Budget Unit Name	Requested				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
CEO - Crows Landing Air Facility	$30,000	$30,000	$0	$0	Increase in estimated revenue from special events and appropriations for ongoing CLIBP.
CEO - General Fund Contribution to Other Programs	$0	($292,373)	$0	($292,373)	Decrease appropriations due to the reduced need in Sheriff - Courty Security.
CEO - General Fund Contribution to Other Programs	$0	$124,988	$0	$124,988	Increase appropriations for increased contribution to Environmental Resources related to the PEIR.
Total	**$30,000**	**($137,385)**	**$0**	**($167,385)**	

Summary of Recommendations: It is recommended to increase estimated revenue by $30,000 and reduce appropriations by $137,385 in the Chief Executive Office – County Operations budgets, resulting in a reduction in the use of Net County Cost of $167,385.

CHIEF EXECUTIVE OFFICE – RISK MANAGEMENT DIVISION AND SELF-INSURANCE FUNDS

Risk Management Division: A transfer of $11,000 from Salaries and Wages to Fixed Assets is recommended for the purchase of a replacement copier that can accommodate the receipt of faxed documents such as injury and incident reports. The Department determined that a purchase is more cost-effective than a lease option and will utilize existing Net County Cost Savings that were appropriated in the Salaries and Benefits cost category at Final Budget.

Unemployment Self-Insurance: An increase in appropriations and use of retained earnings in the amount of $55,000 is recommended to cover the anticipated costs for unemployment claims. As of July 1, 2017, the balance of retained earnings was $67,707 after the 2016-2017 Fiscal Year-end close, creating a projected deficit of $32,293 when factoring in the $100,000 use of retained earnings included in the 2017-2018 Adopted Final Budget. The recommended adjustment would increase that deficit to $87,293. However, a $50 increase per employee will be charged to departments for unemployment insurance beginning in Budget Year 2018-2019. It is anticipated that this rate increase will be sufficient to cover the full costs of this fund's budget and restore retained earnings to a positive balance by July 1, 2020.

Budget Unit Name	Requested				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
CEO-Risk Management Division	$0	($11,000)	$0	($11,000)	Transfer appropriations from Salaries and Benefits to Fixed Assets.
CEO-Risk Management Division	$0	$11,000	$0	$11,000	Transfer appropriations into Fixed Assets from Salaries and Benefits for the purchase of a replacement copier.
Unemployment Self-Insurance	$0	$55,000	$55,000	$0	Increase appropriations and use of retained earnings to fund increases in unemployment claims.
Total	**$0**	**$55,000**	**$55,000**	**$0**	

Summary of Recommendations: It is recommended to increase estimated revenue and use of retained earnings by $55,000 and transfer $11,000 from Salaries and Benefits into Fixed Assets in the Chief Executive Office – Risk Management Division and Self-Insurance Funds budget.

GENERAL SERVICES AGENCY

Facilities Maintenance: An increase in estimated revenue and appropriations of $356,000 is recommended for maintenance services and supplies. The second half of the fiscal year has seen a steady increase in work order requests. In addition, there have been increased services associated with janitorial and security services that have resulted in unanticipated increases in facility related costs.

Budget Unit Name	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
GSA - Facilities	$356,000	$356,000	$0	$0	Increase estimated revenue and appropriations for increases in facility costs related to maintenance, janitorial, and security services.
Total	**$356,000**	**$356,000**	**$0**	**$0**	

Summary of Recommendations: It is recommended to increase estimated revenue and appropriations by $356,000 in the General Services Agency – Facilities Maintenance budget.

TECHNICAL ADJUSTMENTS

Several technical adjustments are recommended in the Third Quarter Financial Report for General Fund departments that were engaged in the Zero-Base Budget process. Funding was included in the Chief Executive Office – Appropriations for Contingencies budget for costs that were unknown at the time of the 2017-2018 Proposed Budget, but were anticipated to materialize later in the year, including salary costs that were greater than the 5% vacancy factor and cash-outs. Additional funding for six General Fund departments is recommended at this time.

As previously stated in this report, a vacancy rate rebate is recommended for two departments whose actual vacancy rate as of February 28, 2018, has averaged below 5%. Those departments are the Assessor and Parks and Recreation. The total amount of the vacancy rate rebate is $221,360. Other salary-related costs including termination and comp time cash-outs are recommended for the Auditor-Controller, Chief Executive Office, Parks and Recreation, Public Defender, and Sheriff. The total funding for cash-outs is $1,710,572; the increase for the Auditor-Controller is offset by an increase in estimated revenue of $58,730, with the total remaining impact to transfer from Appropriations for Contingencies at $1,873,202.

Budget Unit Name	Requested				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Assessor	$0	$145,257	$0	$145,257	Increase appropriations for 5% Vacancy Rate rebate, funded by Net County Cost.
Auditor-Controller	$58,730	$111,780	$0	$53,050	Increase appropriations for termination cash-outs, offset by an increase in CAP revenue, with the remaining funded by Net County Cost.
CEO - Operations and Services	$0	$81,463	$0	$81,463	Increase appropriations for termination cash-outs, funded by Net County Cost.
Parks and Recreation	$0	$76,103	$0	$76,103	Increase appropriations for 5% Vacancy Rate rebate, funded by Net County Cost.
Parks and Recreation	$0	$53,829	$0	$53,829	Increase appropriations for termination cash-out, funded by Net County Cost.
Public Defender	$0	$45,000	$0	$45,000	Increase appropriations for termination cash-outs, funded by Net County Cost.
Sheriff - Administration	$0	$10,500	$0	$10,500	Increase appropriations for termination and comp time cash-outs, funded by Net County Cost.
Sheriff - Detention	$0	$897,000	$0	$897,000	Increase appropriations for termination and comp time cash-outs, funded by Net County Cost.
Sheriff - Operations	$0	$511,000	$0	$511,000	Increase appropriations for termination and comp time cash-outs, funded by Net County Cost.
Total	**$58,730**	**$1,931,932**	**$0**	**$1,873,202**	

Summary of Recommendations: It is recommended to increase appropriations by $1,931,932 and estimated revenue by $58,730 in the budgets listed above, funded by a $1,873,202 transfer from CEO-County Operations – Appropriations for Contingencies.