

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: CHIEF EXECUTIVE OFFICE

BOARD AGENDA # B-24

Urgent Routine X

AGENDA DATE June 5, 2001

CEO Concurs with Recommendation YES dit NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

APPROVAL OF CHIEF EXECUTIVE OFFICER'S THIRD QUARTER FISCAL REPORT FOR FISCAL YEAR 2000-2001, AND RELATED ACTIONS AND ADJUSTMENTS.

STAFF RECOMMENDATIONS:

1. APPROVE THE CHIEF EXECUTIVE OFFICER'S THIRD QUARTER FISCAL REPORT FOR FISCAL YEAR 2000-2001.
2. AUTHORIZE THE CHIEF EXECUTIVE OFFICER AND THE AUDITOR-CONTROLLER TO MAKE THE NECESSARY ADJUSTMENTS AND TRANSFERS AND OTHER TECHNICAL ADJUSTMENTS AS RECOMMENDED IN THE REPORT.
3. DIRECT THE CHIEF EXECUTIVE OFFICER TO TAKE THE NECESSARY ACTIONS TO END THE FISCAL YEAR IN A POSITIVE FISCAL POSITION.

(Continued on Page 2)

FISCAL IMPACT:

Stanislaus County's 2000-2001 Final Budget, adopted on September 12, 2000, was \$637.6 million. General Fund appropriations totaled \$171.4 million and were funded by departmental revenues of \$57.8 million, \$102.2 million in discretionary revenue, \$8.3 million in prior year General Fund balance, and \$3.1 million of one-time funding from Reserves and Tobacco Settlement Funds.

On March 13, 2001 at Mid-Year 2000-2001, the Chief Executive Office projected that the Final Budget would end the year in a positive position. Discretionary revenue was

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BOARD ACTION AS FOLLOWS:

No. 2001-408

On motion of Supervisor Caruso, Seconded by Supervisor Blom and approved by the following vote,

Ayes: Supervisors: Mayfield, Blom, Simon, Caruso, and Chair Paul

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

Motion:

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

By: Deputy

File No.

STAFF
RECOMMEN-
DATIONS:
(CON'T)

4. AUTHORIZE THE AUDITOR CONTROLLER TO MAKE THE NECESSARY YEAR-END CLOSING ENTRIES AS APPROVED BY THE CHIEF EXECUTIVE OFFICER.
5. APPROVE THE 2001-2002 PROPOSED AND FINAL BUDGET PROCESS, SCHEDULE AND REAFFIRM THE BOARD'S PRIORITIES.

FISCAL
IMPACT:
(CON'T)

projected to be within budgeted amounts with a slight reduction in property taxes and an increase in Proposition 172 sales tax revenue and vehicle license fee revenue. Departmental revenues were projected to be consistent with original estimates, and departmental expenditures were projected to be within budget appropriations.

Based on third quarter budget review, the General Fund, Special Revenue, Capital Projects, Enterprise and Internal Service funds are all expected to end the fiscal year in a positive position. However within the funds, several departments are experiencing some financial issues. This includes Fleet Services, Health Services Agency, Public Works – Facilities Maintenance, Planning – LAFCO; all of the issues associated with these budgets are discussed in detail in the Third Quarter Financial report.

A positive fund balance at the end of the fiscal year is needed to balance next year's budget, while continuing to maintain an acceptable level of service to its internal and external customers. This year, the County used \$11.4 million in fund balance and one-time resources to finance the budget.

Appropriations for Contingencies were budgeted at \$4.3 million for fiscal year 2000-2001. Prior to the Mid-Year report, an adjustment of \$35,000 was made to the account. At Mid-Year, the Board approved a total of \$1.4 million in transfers from Appropriations for Contingencies for various departments leaving a third quarter balance of \$2.8 million. Third quarter expenses recommended for approval for the General Fund total \$625,000. It is recommended these expenses be allocated from Appropriations for Contingencies, leaving a balance for the fiscal year of \$2,211,724.

DISCUSSION: Each year, the Chief Executive Office prepares and submits to the Board of Supervisors a Third Quarter Financial Report. The attached Third Quarter Financial Report addresses the following topics:

- Background
- Conclusions at Third Quarter
- Discretionary Revenue and Departmental Revenue
- Review of Departmental Expenditures
- Appropriation for Contingencies
- Third Quarter Issues
- Summary

2001-2002 Budget Preparation

Below is the planned calendar of budget activities for the Proposed & Final Budgets for next fiscal year 2001-2002.

Proposed Budget

	<u>ITEM</u>	<u>Date</u>	<u>Status</u>
❖	Issue department instructions	March 28	Complete
❖	Department Proposed Budget Meeting	March 29	Complete
❖	Department hands-on budget training	April 5 & 10	Complete
❖	Department budget due to CEO Office	April 24	Complete
❖	Third Quarter Report to Board	June 5	on schedule
❖	Budget available for distribution	June 8	on schedule
❖	Proposed Budget to Board of Supervisors Approval	June 19	on schedule
❖	Final Budget addendum available	Aug 31	on schedule
❖	Final Budget addendum for Board of Supervisors approval	Sept 11	on schedule

Governor's May Revision

The Governor's May budget revision reflects the economic slowdown felt by the nation the latter part of 2000. This is partly attributable to the downward trend of the stock market that is affecting personal income tax revenues. Taxable sales,

adjusted for inflation, have slowed from 12.1 percent growth during the first quarter of 2000, to 3.3 percent during the first quarter of 2001.

Significant changes in the revision included deletion of the \$250 million in discretionary funding to local governments. The State-County Property Tax Administration Loan Program remains funded. Also left intact is a one-year extension of the \$242.6 million in funding provided by AB1913. It will provide \$121.3 million for juvenile justice crime prevention and intervention programs, as well as \$121.3 million for the statewide COPS program.

The revision does not allocate any additional monies to offset local costs associated with the implementation of Proposition 36 beyond the allocation of \$60 million in the current year and \$120 million in subsequent fiscal years as specified in the initiative.

The revision proposes decreases in assistance payments for CalWORKs. There is also a proposal that would eliminate the current year county performance incentives. CalWORKs Stage One and Stage Two Child Care would benefit, however, from proposed increases.

In the current year, the Department of Alcohol and Drug Programs budget is reduced by \$10 million in the State General Fund, and for the upcoming budget year a net reduction of \$34.7 million is proposed.

Board of Supervisors Priorities

As part of the Proposed Budget preparations and evaluation, the Chief Executive Officer and Department Heads have used the Boards guiding priorities:

- **Ensure a Safe, Healthy Community,**
- **Facilitate Economic Development,**
- **Deliver Excellent Community Service,**
- **Promote Efficient Government Operations,**
- **Achieve Multi-Jurisdictional Cooperation and**
- **Model Community Leadership.**

Confirmation of the Board's priorities will guide the policy development of our fiscal road map for 2001-2002.

POLICY ISSUES:

The Board of Supervisors should evaluate the County's third quarter financial condition and maintain fiscal accountability of County operations in an effort to end the fiscal year with a positive fund balance and maintain essential County services consistent with its goals and priorities.

STAFFING

IMPACT:

Amend the Salary Positions Allocation resolution to add four Deputy Sheriff-Coroner positions to the Sheriff-Operations budget unit

THIRD QUARTER FINANCIAL REPORT

BACKGROUND

On September 12, 2000, the Chief Executive Office presented, and the Board of Supervisors adopted, the 2000-2001 Final Recommended Budget. On March 13, 2001, the Chief Executive Office presented the County Mid-Year Fiscal Analysis and Recommendations. As part of the Mid-Year Fiscal Analysis, a review of major issues was conducted, State and Federal Issues were reviewed, and the status of departments' budgets and programs was presented.

This Third Quarter Financial Report will serve as a fiscal update and status report of the County's 2000-2001 fiscal condition.

CONCLUSIONS AT THIRD QUARTER

The third quarter analysis generally supports the conclusions and data presented at mid-year:

- ◆ Overall, the majority of the County's various funds are expected to end in a positive position.
- ◆ Discretionary revenue is projected to be approximately \$3.0 million more than original budget. The increases are primarily in vehicle license fee revenue, Public Safety Sales Tax, and a one-time distribution from the State for Educational Revenue Augmentation Fund (ERAF).
- ◆ Department revenue is expected to be received slightly lower than expected, primarily due to a \$712,000 shortfall in County Court funding revenue.
- ◆ Department expenditures are expected to be within budgeted appropriations.
- ◆ Revenue for the Special Revenue Fund departments is expected to come in within original budget. Expenditures will end the year within budgeted appropriations as stated in the Mid-Year report.
- ◆ The Enterprise Fund, consisting of the Stanislaus Behavioral Health Center, the Waste-to-Energy plant, the County landfill operations, and Emergency Dispatch will also end the year in a positive position, anticipating higher revenue and lower expenditures than those budgeted. Health Services Agency is projecting a year-end deficit of over \$6.0 million.

- ◆ At third quarter, Internal Service Fund departments such as Fleet Services and Central Services are anticipating ending the year over budgeted appropriations. The remainder of the departments are expected to end the year within budget.
- ◆ The General fund is expected to end the year in a positive fiscal position. The 2000-2001 Final Budget utilized \$8.4 million in fund balance to balance the spending plan for the year, therefore, a strong year-end fund balance will serve as a revenue source for the 2001-2002 fiscal year.

DISCRETIONARY REVENUE AND DEPARTMENTAL REVENUE

Discretionary Revenue

As of the end of April, 2000-2001 total discretionary revenue received stands at \$81.1 million, or 79% of our legal budget. Receipts this year are approximately 13% higher than for the same time period one-year ago. This increase is largely attributable to growth in several revenue sources including Vehicle license fees (VLF), Prop 172, Property Transfer Taxes, and Educational Revenue Augmentation Fund return.

Vehicle license fee's revenue received, as of the end of April is \$20.6 million, which is 74.4% of the budgeted amount. VLF revenue is anticipated to end the year approximately \$500,000 over budget.

Sales tax revenue received as of the end of April is \$9.4 million. This is offset by a \$742,000 payment to the City of Modesto as part of the McHenry extension tax sharing agreement. With the approval of that recommendation it is anticipated that sales tax revenue will end the year slightly over budget.

Proposition 172 Public Safety revenue as of the end of April is \$16.9 million, which represents 66% of budget. Prop 172 receipts are projected to end the year over the budgeted amount.

Receipts as of April for property taxes of all types are \$22.1 million, 93% of the budgeted amount. It is anticipated that property taxes of all types will end the year just shy of the budgeted amount.

Overall, we expect Discretionary Revenue to reach our current budgeted amount of \$102,570,840.

Departmental Revenue

Departmental revenues were originally budgeted at \$57.8 million. As mentioned in mid-year we are still projecting a short fall primarily due to a \$712,000 shortfall in County Court funding.

REVIEW OF DEPARTMENTAL EXPENDITURES

Department expenditures at third quarter are projected to be within budget. Departmental salaries and employee benefits budgetary amounts are experiencing the greatest amount of savings, which is consistent with prior years operating expenses.

We expect to finish the fiscal year within budgeted appropriation even though the County has continued to address increased costs for utilities and fuel, and as long as no major expense related emergencies occur between now and the close of the fiscal year.

APPROPRIATION FOR CONTINGENCIES

Appropriation for Contingencies was budgeted at \$4.3 million for fiscal year 2000-2001. At mid-year, the Board approved a total of \$1.4 million in transfers from Appropriations for Contingencies for various departments leaving a balance at third quarter 2000-2001 at \$2.8 million. Based upon the Board approval of the recommended third quarter adjustments totaling \$625,000, will leave a remaining balance of \$2,211,724, for the remainder of the fiscal year. The primary reason Appropriation for Contingencies is remaining with a greater balance this year versus prior years is due to the original budget including an additional \$2.3 million that funded \$1.8 million for workers compensation and \$500,000 for unanticipated expenses. These costs did not fully materialize to their original budget estimates creating a savings at year-end.

BALANCE	00-01	99-00	98-99	97-98
Beginning	\$4,273,484	\$2,269,526	\$2,599,031	\$2,691,444
Mid-Year	\$4,238,722	\$2,112,851	\$2,498,027	\$2,418,356
Third Quarter	\$2,836,724	\$ 721,041	\$1,318,686	\$1,791,088
Ending	\$2,211,724	\$ 504,651	\$ 721,686	\$1,756,338

* Ending amount for fiscal year 2000-2001 after third quarter adjustment on 6/5/01

THIRD QUARTER ISSUES

The following are fiscal issues, which require consideration at third quarter of the 2000-2001 fiscal year:

Animal Services

Animal Services anticipated ending the year with a shortfall in its revenue during mid-year review. At third quarter, the department has expended 70 percent of its budgeted appropriations, and has realized 41 percent of its revenues. It is anticipated that approximately 85 percent of its budgeted revenue will be realized by year-end, due to the fact that much of its revenue comes in at the end of the fiscal year. The revenue will fall short of the budgeted amount because the operation of the spay-neuter vehicle was delayed until April 2001. In addition, the department has conducted 253 cruelty investigations this year, representing a 370 percent increase from past years and has

seized 3,000 animals. This has resulted in the canvassing team shifting focus from obtaining license revenue to caring for the animals that have been seized.

The department anticipates ending the fiscal year within budgeted appropriations for expenditures.

Recommendation: No Board action is required at this time.

Area Agency on Aging

Area Agency on Aging is requesting a \$2,000 increase in revenue and expenditure appropriations. Mancini Hall rental revenues in fiscal year 2000-2001 are higher than anticipated. The \$2,000 will be used to purchase tables and chairs for Mancini Hall.

Recommendation: Increase revenue and appropriations by \$2,000 for the purchase of tables and chairs for Mancini Hall.

Auditor-Controller

Since 1993-94, local title companies have been purchasing online public property information from the County Property and Tax System (CPATS). One-third of the revenue received is supposed to be designated for the Assessor, Treasurer-Tax Collector and Auditor-Controller to be used for funding future technology needs. The three respective departments are requesting that a special revenue fund be established for this purpose. They will collectively decide on the use of the funding with the Auditor-Controller being ultimately responsible for oversight of the fund.

Recommendation: Approve the establishment of a new special revenue fund for revenue received from title companies to be shared between the Auditor-Controller, Assessor, and Treasurer-Tax Collector.

CEO - Central Services

At mid-year, it was projected that the division would end the year with a deficit of \$137,668. The Board authorized an amount not to exceed \$137,668 to be transferred from Appropriations from Contingencies at year-end to offset the division's deficit. The division has been closely monitoring its budget and is currently projecting that the deficit will be closer to \$110,000.

The business assessment of our Central Services Division that was discussed in our mid-year report is scheduled to commence in early June. It will develop a set of recommendations as to the most efficient, cost-effective and reliable form of future service delivery in the areas of printing, stores, and warehouse and salvage operations. The recommendations from this study will be reflected in the development of the 2001-2002 Final Budget for the Central Services Division.

Recommendation: There is no further Board action required at this time. The division's budget will continue to be closely monitored with adjustments being made at year-end up to the previously approved amount.

CEO - Fleet Services

The cost of fuel has been on a steady rise since February of 1999 when the County could purchase gasoline for .67 cents a gallon. As a comparison, the County's cost for fuel in April of this year was \$1.64 per gallon. As part of the FY 2000-2001 budget process, Fleet Services requested \$90,000 in appropriations for increased fuel costs. At that time it was recommended that we closely monitor the fuel budget and return to the Board if the need for further appropriations materialized. At third quarter, the fuel budget is approximately one month away from being fully expended, and without increased appropriations it could end the year with a potential shortfall of \$90,000.

Several unanticipated expenses have impacted the Division's budget leaving them with additional potential budget shortfalls. The retirement of the Fleet Services Manager this year left the division approximately \$15,000 short in Salaries and Wages. In addition, when the Division was given the depreciation estimate for the 2000-2001 fiscal year, it did not include some fixed assets and capital leases that were posted late in the fiscal year. That left depreciation for the 2000-2001 fiscal year underestimated by \$80,000. Finally, with the implementation of the new MIS billing model, the division's data processing charges have increased and the budget needs to be augmented by \$24,000.

Recommendation: Approve a total of \$209,000 in increased appropriations as follows: \$90,000 in fuel charges, \$15,000 in salaries, \$80,000 in depreciation, and \$24,000 in data processing services. Additional revenues through departmental charges will fund \$129,000 and the balance of \$80,000 will be funded from departmental retained earnings.

CEO - General Fund Match/Support

The County and City of Modesto completed the accounting for the first two years of the McHenry extension tax sharing agreement. The result of the final accounting for the period from January 1999 through June 2000 totaled \$742,000. This amount was not budgeted as part of the 2000-2001 Final Budget.

Recommendation: Approve an increase in Discretionary Revenue Sales Tax and appropriations in General Fund Match/Support by \$742,000 to offset the costs related to the McHenry extension tax sharing agreement.

CEO - Office of Emergency Services/Fire Warden

At mid-year it was anticipated that this budget would end the fiscal year within budgeted appropriations. Unanticipated expenses have been funded in this budget unit related to the Emergency Dispatch Project. The budget has been funding pagers for the fire departments since early this calendar year. This additional expense is anticipated to be

approximately \$5,000 by year-end. In addition, in order to insure the Emergency Operations Center is adequately equipped, particularly in light of the current energy crisis, the budget has funded unanticipated costs, including the purchase of a computer server and fax machine at an approximate cost of \$6,000. The additional facility costs may have been absorbed in this budget, however, a cashout of accrued leave time that dated back prior to the transfer of staff to Stanislaus Consolidated Fire was also charged to this budget in the amount of \$16,700. In addition, phone charges are projected to exceed appropriations by \$20,000. The combination of increased expenses and the cashout, warrant an additional \$45,000 in funding in order to end the year in a positive position.

Recommendation: Transfer \$45,000 from Appropriations for Contingencies to this budget unit, to cover the increased salary and equipment costs incurred this fiscal year.

Community Services Agency - Severely Emotionally Disturbed Program

The requested base budget provided for an average monthly caseload of approximately seventeen seriously emotionally disturbed children. At that time, the Community Services Agency presented a budget of \$900,000 and identified an unfunded County share of \$184,066. The County's share of cost for this entitlement program is 60 percent, which is offset by realignment funds and a General Fund contribution of \$260,000. At third quarter, it is anticipated that total expenditures will equal \$946,941 with offsetting state and realignment revenue covering part of the increase. This leaves an unfunded balance of \$162,754, which will be funded by Behavioral Health and Recovery Services.

Recommendation: Increase appropriations in the CSA – Seriously Emotionally Disturbed Budget Unit by \$46,941 and adjust estimated revenues to support the transfer of \$162,754 from the Behavioral Health and Recovery Services.

County Counsel – Small Claims Advisor

At Third Quarter, the department has realized only 22.5 percent of its total budgeted revenue. It is anticipated that revenue will be \$7,500 under budget at year-end. The decreased revenue is attributed to lower small claims filings in the court system. The department receives a percentage of every claim filed to offset the costs of the program, so decreased claims results in decreased revenue. The department is working with the Courts to explore a revenue-sharing agreement to fund this program in the next fiscal year.

Recommendation: Staff will continue working with the Courts in exploring ways to fund this shortfall along with potential impacts with a reduced service level as part of the Final Budget for Fiscal Year 2001-2002.

County Court Funding

As of third quarter revenue receipts in this budget unit have improved over that predicted at mid-year, although it is anticipated that the revenue which is largely generated from court fines and fees will be approximately \$712,000 below the projected budget target. Part of the explanation for this continues to be associated with the Civil Assessment Fee issue. The Superior Court will likely retain approximately \$310,000 of the traffic revenue this fiscal year. This budget anticipated receiving \$571,499, and will probably only receive \$241,182 by year-end or a \$330,317 deficit. A programming problem in the Traffic System resulted in the delay of sending out failure to appear notices. Since August 2000, tens of thousands of notices were backed up and a staged release was planned by the Court to not overwhelm the Traffic Department (and Turlock) with clients responding to these notices. The last of the notices were issued in February 2001. April revenue was received at a higher rate than the previous months, indicating the failure to appear notices are encouraging Traffic defendants to clear their cases. As of this date, funding has not been identified to reprogram the system to handle credit card payments. This has also contributed to the revenue shortfall. The Court applied for a grant to fund this, but just received notice that their funding request was denied. All of this has occurred while we anticipated an overall 4.3% in revenue growth, excluding Civil Assessments.

A reduction to the overall revenue is recommended at this time in the amount of \$400,000. This assumes the County will receive the full Civil Assessment fees budgeted.

Expenditures in this budget appear to be on track.

Recommendation: Reduce estimated revenue by \$400,000.

District Attorney - Criminal Division

A review of this budget at Third Quarter indicates that it will likely exceed budgeted appropriations. This is due in part to higher than anticipated phone charges as well as the increased trial costs. The department budgeted \$20,000 in trial costs and to date has spent \$71,798 in expert fees and witness travel. It is recommended that the Chief Executive Office be given the authority to adjust this budget at yearend should appropriations be exceeded.

Recommendation: Authorize the Chief Executive Officer or his designee the authority to transfer funds from Appropriations for Contingencies if the budget exceeds appropriations.

District Attorney - Child Abduction Unit

The cash deficit problem reported at the mid-year review continues, with this budget projected to end the year in a deficit position of \$1.5 million. This deficit is related to the State's action, withholding SB 90 reimbursements from the County for the 1995-1996

and 1996-1997 fiscal years. The payment received this year for Child Abduction Unit reimbursement of this year's costs, have been utilized to reimburse those departments that were adversely impacted by the State's action.

Since the mid-year review, the State has initiated an audit of the fiscal records of the division. They will prepare an initial findings report in late June. There is a concern that even in the event the findings are favorable for the County, which we anticipate, it may require a special state budget appropriation for the County to receive its funding. The worst case would be an appropriation in the 2002-2003 State budget. In the meantime, the Auditor-Controller's Office has been working with Don Peterson, our Legislative lobbyist to pursue legislation supporting a special appropriation measure.

The County did provide the services in the years in question and the District Attorney is intent upon ensuring that the full amount of funding previously withheld is restored to the County.

Recommendation: There is no recommended action at this time. The Child Abduction Unit budget is currently in a negative cash position, and will remain in this position until a final determination is made by the State.

District Attorney - Elder Abuse Advocacy Grant

During the mid-year review, the District Attorney was of the opinion that appropriations for expenditures and revenues may need to be reduced at third quarter. The office has determined that there is no need to reduce this grant funded program at this time.

Recommendation: No Board action is required at this time.

District Attorney - Family Support

The Family Support Division has projected a \$1.3 million surplus at the end of this fiscal year. This Division is anticipating a number of capital project related issues for which this surplus could be dedicated. These include pursuit of alternative or improved energy systems for Family Support and/or the purchase of property to accommodate space needs for this division. The Chief Executive Office Capital Projects Team as well as the Public Works Building Maintenance Department will conduct an evaluation of these approaches over the next several months. In order to establish a dedicated funding source to meet the specific needs of the Family Support Division it is recommended that \$1.3 million be transferred to the Plant Acquisition budget. This funding is strictly limited by State statute to be used only to meet the needs associated with the family support program.

Due to savings in its automation project, the department requests the transfer of \$25,000 from Computer Systems Development to a fixed asset account in order to replace a vehicle. The vehicle that is used for the investigators is not cost effective to keep anymore, so the department would like to replace it.

Recommendation: It is recommended that \$1.3 million be transferred from the Family Support Division to the Chief Executive Office Plant Acquisition budget and that appropriations for expenditures and revenue be adjusted accordingly to reflect this transfer of cash. Any funding not used this fiscal year will be carried over next fiscal year. It is further recommended that the Board approve the transfer of \$25,000 from Computer Systems Development to the appropriate fixed asset account to purchase a new vehicle.

Grand Jury

At mid-year, the Grand Jury requested an increase of \$10,000 to cover the anticipated cost of court reporter services for complex investigations. It was recommended that the budget be reviewed at third quarter to see if the shortfall materialized. Upon review of the Grand Jury's fiscal position at third quarter, it appears that the budget will remain within budgeted appropriations, and that the increase is not necessary.

Recommendation: No Board action is required at this time.

Employment and Training

The department requests approval to transfer funds in the amount of \$33,972 from account #84420, Personal Computers & Equipment to account #50090, Enrollee Wages & Benefits. Funds will not be utilized in the Fixed Asset account as projected and are needed in the Enrollee Wages & Benefits to cover costs for StanWORKs work experience clients.

Recommendation: Approve the transfer of \$33,972 from Fixed Asset account Personal Computers & Equipment to Salaries account Enrollee Wages & Benefits.

Health Services Agency

During the mid-year report to the Board, the financial status of the Health Services Agency was discussed in detail. At that point, there was no change in the status, as the Agency was still projecting a deficit of over \$6.0 million.

It must be remembered that when the Board of Supervisors decided to close the County Hospital and transform County health services into an ambulatory care system, the Health Services Agency embarked on an ambitious effort to generate sufficient revenues to become self-reliant. The Agency received a significant financial blow when it did not receive support from the Federal government in the form of \$4,800,000 annually from Disproportionate Share money. The agency's financial health also suffered when the State of California did not provide Medi-Cal room rates totaling \$2,000,000 annually.

While efforts were made (and continue to be made) to secure these funds for Stanislaus County, it was recognized that the Agency needed to address operational issues under its direct control. In a three year program concentrating on quality, the Agency was able to

reduce account receivables to under 50 days, increase monthly revenues to nearly \$1,100,000, increase the number of visits to clinics, and reduce the annual deficit of the Agency from nearly \$6,500,000 to \$4,600,000 (projected for 2001-2002). Despite this progress, the Agency recognizes such deficits cannot continue.

Agency staff is preparing an Action Plan for submission to the Board prior to the Final Budget. The Action Plan will delineate several options available to the Board to further reduce and eliminate the remaining deficit. The Action Plan will define each option in terms of impact on the health status of the community, the impact on the access to health care services, as well as the financial savings to be realized. Staff will make recommendations on implementing specific options identified in the Action Plan. The goal of the staff recommendation will be to establish a service delivery system that best addresses community needs within available resources.

In the interim, the Health Services Agency requests authority to transfer \$1.2 million from its Administration budget (Fund 1401) to the Clinic and Ancillary Services budget unit (Fund 4051) to cover increased expenditures in services and supplies. The Administration budget has not spent all of its appropriations in salaries because they have not filled all positions this fiscal year. In addition, consulting fees were not paid in the amount anticipated at the beginning of the year.

Recommendation: Approve the transfer of \$1.2 million from its Administration Budget Unit (Fund 1401) to the Clinic and Ancillary Services budget unit (Fund 4051) to cover increased expenditures.

Library

In order to make improvements in the Library due to population growth, the Library is requesting authorization to use Public Facility Fees to purchase equipment and fund capital projects as follows:

Books and Materials	\$125,000
Computer Equipment and Technology	\$100,000
Typewriters	\$ 918
Microfilm Machines	\$ 23,048
Color Copier	\$ 8,518
Shelving	\$ 34,355
Workstations	\$ 61,665
TOTAL	\$353,504

The department requests an increase in appropriations and revenue of \$353,504, funded from Public Facilities Fees.

Recommendation: Approve the increase in appropriations and revenue of \$353,504 to allow the Library to spend Public Facilities Fees as described above.

Planning - LAFCO

On July 1, 2001, the Local Agency Formation Commission (LAFCO) will become an independent agency. County staff has been spending a number of hours on this transition, causing the budget to be almost 100 percent expended at third quarter. As a result, the department requests an increase in appropriations of \$25,000 funded from Appropriations for Contingencies. In addition, revenue for this budget will be approximately \$5,000 less than budgeted, due to decreased planning/engineering revenue received.

In its report to the LAFCO Commission regarding the 2001-2002 fiscal year budget, the agency presented a \$25,000 estimated overage in expenditures from this fiscal year. The Commission approved this additional expense, and agreed to reimburse the County the \$25,000. Since new State law requires the LAFCO budget to be shared equally between the County and the nine Cities, the actual net County cost is \$12,500.

Recommendation: Approve the increase in appropriations of \$25,000 funded from Appropriations for Contingencies.

Public Defender - Indigent Defense

At third quarter this budget appears to be tracking very close to budgeted appropriations. It appears that the budget has the potential to exceed appropriations by approximately \$32,000 by doing essentially a straight-line projection. This is particularly likely because claims in the month of June are generally higher than the other months of the year. It is recommended that the ability to adjust this budget be granted to the Chief Executive Officer.

Recommendation: Authorize the Chief Executive Officer or his designee the authority to transfer funds from Appropriations for Contingencies up to \$75,000 if the budget exceeds appropriations and claims against this fund cannot be paid.

Public Works - General Fund Facilities Maintenance

In the mid-year report, the department anticipated that the cost of utilities would exceed its approved appropriation prior to the end of the fiscal year. Through the end of March 2001, \$1,920,003 of the \$2,400,000 in budgeted appropriations had been expended, representing eight months of payments. Annualized, it is estimated that utility costs will be approximately \$2,880,005 by the end of the fiscal year. As a result, the department requests an increase in appropriations of \$480,000 to cover the increase in utility costs.

Recommendation: Approve the increase in appropriations of \$480,000 funded from Appropriations for Contingencies.

Sheriff – Administration

At third quarter this budget is projected to exceed expenditures by approximately \$203,000. The Sheriff's budget overall though will not exceed appropriations. Transfers between these budget units will be made so that they do not exceed budgeted appropriations.

Recommendation: No Board action is required at this time.

Sheriff – Operations

At third quarter this budget is projected to exceed appropriations by approximately \$212,000. The overall total of all the Sheriff's budgets though will not exceed appropriations. Transfers between these budget units will be made so that they do not exceed budgeted appropriations.

During this fiscal year a portion of funding was included in the budget for eight additional deputy sheriff positions. The actual positions were not added to the budget at that time, because the Sheriff was hopeful that his Federal Cops Grant application would be approved. Federal funding would have covered approximately \$25,000 of the cost of each position for a period of three years. At this point the grant has not been approved and it appears to be highly unlikely that this will occur. At the mid-year review, the Board approved the addition of four of the eight positions. It is recommended that the remaining four positions be added at this time to provide increased patrol services. While the addition of the positions will not impact the budget this fiscal year, the previously anticipated Federal funding in the amount of \$100,000 must be included in this budget next fiscal year.

The Sheriff has requested \$70,000 to purchase patrol vehicles for the additional deputies. It is anticipated that the department will have savings at year-end. It is recommended that savings be carried over to fund this cost next fiscal year to coincide with the additional patrol officers.

The Sheriff also requested that we reconsider his previous requests for the addition of four Community Service Officer positions. These positions would provide much needed support for the Sheriff's substations in Denair, Empire, South Modesto and Salida. Again the \$154,000 in funding for these positions would need to be included in next years budget.

Recommendation: Approve the addition of four Deputy Sheriff-Coroner positions. This completes the plan approved by the Board last year. The additional \$100,000 of costs will need to be included in the Operations Division fiscal year 2001-2002 base budget. Authorize the purchase of two patrol vehicles and carry over \$70,000 from this year's savings in the Sheriff's budget.

Sheriff – Detention

At third quarter the Detention budget is anticipated to have a considerable savings. These savings will be used to cover the deficit in the Administration and Operations Divisions.

Recommendation: No Board action is required at this time.

Sheriff – Court Security

At third quarter this budget is anticipated to exceed appropriations by approximately \$79,000. The Sheriff intends to bill all costs to the Superior Court that are appropriate Court costs. Assuming this occurs offsetting revenue from the Court should be received to cover these increased expenditures. These additional costs should not be absorbed by the overall Sheriff's Department budget units as they are a valid Court cost.

Recommendation: Authorize the Chief Executive Officer the authority to increase estimated revenue and appropriations if at year-end this budget exceeds its existing budgetary amount.

Superintendent of Schools

When Superintendent of Schools became totally independent from the County system and most of the allocated positions were removed from the County Position and Allocation Report. Two positions remain in the allocation list and it is now recommended that these last two positions also be removed.

Recommendation: Delete position #239 (Librarian II) and position #6553 (Superintendent of Schools). In addition, it is also recommended that the classification of Superintendent of Schools be removed from the job classifications utilized by the County. Since the classification of Librarian II is used in other County departments, this classification should remain active.

Treasurer – Revenue Recovery

When looking at the alternatives for financing the new Collector's System (CUBS Revenue Plus Collector System) an internal financing appeared to be the most prudent way to go. As part of this financing, the Auditor-Controller's officer recommends that the Board of Supervisors authorize the Auditor-Controller to post the negative interest earnings to the special Internal Service Fund project for the Collector's system. This way the General Fund would not lose those interest earnings and the user Departments would eventually pay the full cost of implementing the new system including any financing charges.

Recommendation: Authorize the Auditor-Controller to apportion "negative interest earnings" to the special project, which is accounting for the initial purchase and implementation of the CUBS Revenue Plus Collector System. This will allow the General Fund not to lose any interest earnings for this project and allow the full cost of

the project to be borne (eventually) by the User Departments by cost application from the Revenue Recovery Division.

SUMMARY

At third quarter, we are projecting all funds in total to end in a positive position. Discretionary revenues are projected to be received above budgeted amounts and expenditures are within anticipated levels. Continued prudent fiscal management is essential for the remainder of the fiscal year to maintain this positive position.

It is recommended that the Board proceed in a fiscally conservative manner and approve the various fund adjustments as outlined in the previous sections of this report. It is recommend that the Board of Supervisors:

Accept the 2000-2001 Third Quarter Fiscal Report and approve the recommendations included in this report.

Approve the 2001-2002 Proposed and Final Budget preparation process and reaffirm the Board's priorities.

Approve transfers from Appropriations for Contingencies for the following:

Planning - LAFCO	\$ 25,000.00
Public Works – Facilities Mntce	480,000.00
CEO – Office of Emergency Svcs	45,000.00
Public Defender – Indigent Defense	75,000.00

TOTAL FROM APPROPRIATIONS FOR CONTINGENCIES: \$625,000.00