Midyear Financial Report
July – December 2018

Board of Supervisors

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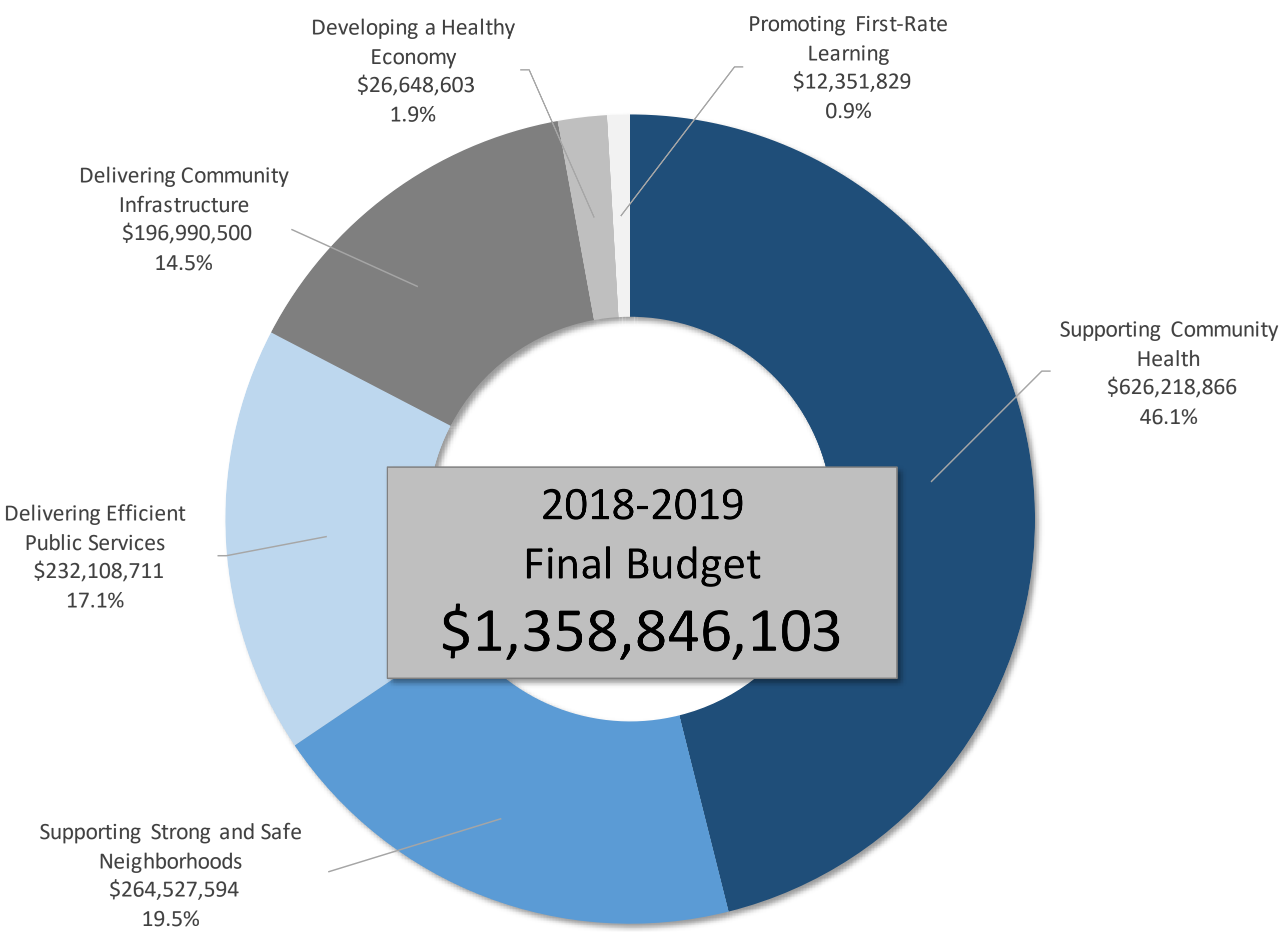
Introduction

This is the Midyear Financial Report for Stanislaus County submitted by the Chief Executive Office for the period of July 1, 2018 to December 31, 2018, for the 2018-2019 Fiscal Year. It has been prepared to inform the Board of Supervisors, County leadership, and the public of the County's financial status. The report provides estimated revenue and expenditure summaries for County programs by each Board of Supervisors' priority area and highlights adjustments to County budgets since the adoption of the Final Budget in September 2018. The Midyear Financial Report also includes a look forward at significant budget challenges and opportunities facing county government.

Background

On September 18, 2018, the Board of Supervisors adopted the Fiscal Year 2018-2019 Final Budget for Stanislaus County. This $1.4 billion operational plan reflected an increase of $93.5 million, or 7.4%, increase over the 2017-2018 Adopted Final Budget. The 2018-2019 Adopted Final Budget was balanced using a combination of $1.3 billion in estimated revenue and $68.5 million in fund balance and one-time funding sources. It also included funding for 4,496 allocated full-time positions, an increase of 27 positions above the 2017-2018 Adopted Final Budget. The following chart reflects the total Adopted Final Budget Expenditures by the Board of Supervisors' priorities:

Fiscal Year 2018-2019 Adopted Final Budget Expenditures by Board Priority



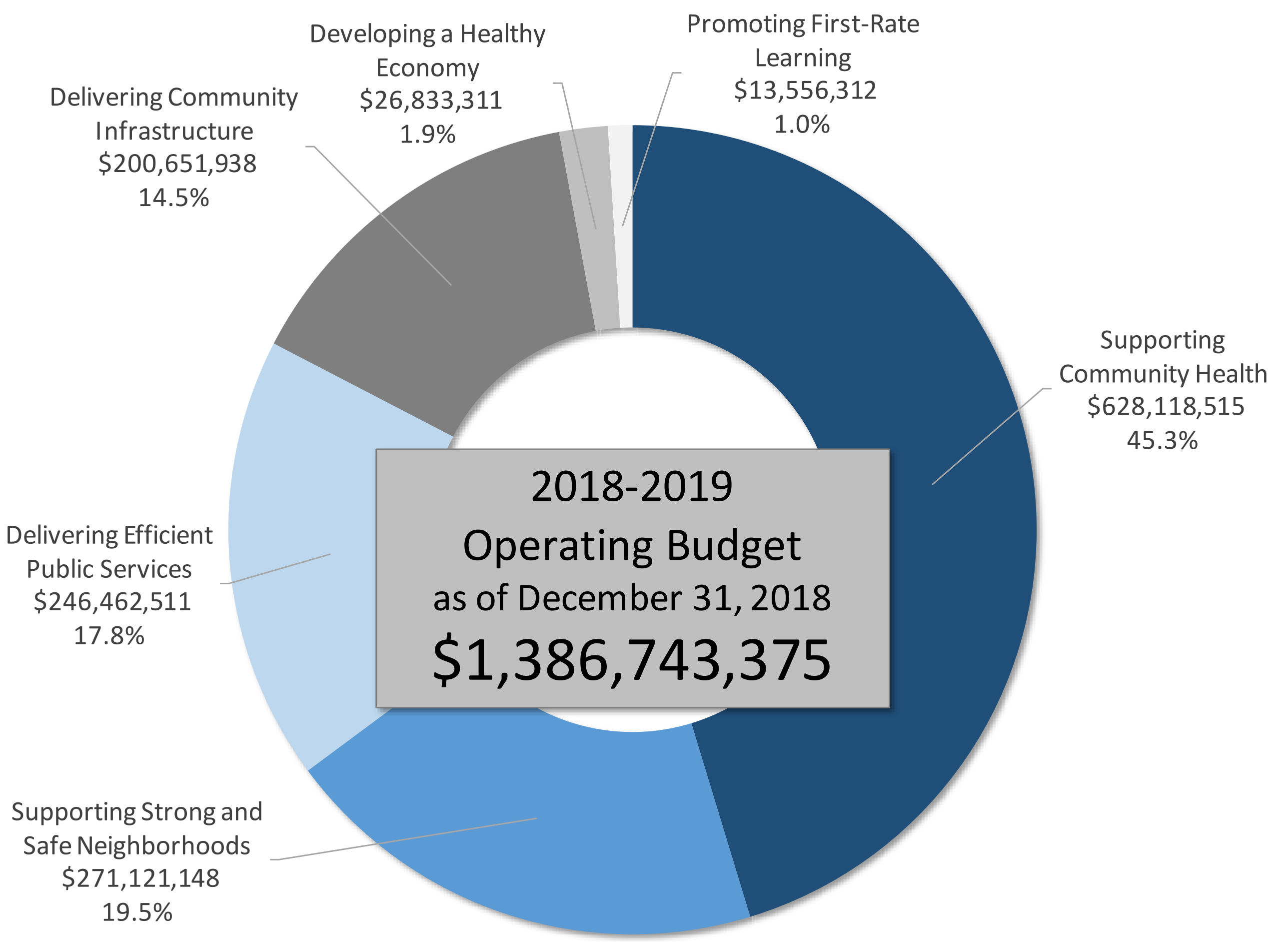
2018-2019 First Quarter Adjustments

The 2018-2019 First Quarter Financial Report contained changes to the 2018-2019 Adopted Final Budget. These changes included a total increase in estimated revenue of $1.5 million, an increase in appropriations of $1.5 million, and a decrease in the use of fund balance of $23,921. The recommended increases were primarily attributed to a $1 million grant accepted by Planning and Community Development for homelessness services as well as budget updates totaling $449,239 to support adjustments to staffing and operations in the following departments: Assessor, Child Support Services, Parks and Recreation, Public Works, Sheriff, and Treasurer-Tax Collector.

Summary of Other 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 were not fully completed. Funding for these projects is identified as assigned fund balance by the Auditor-Controller at year-end to ensure these funds are fully funded in the next year. Also included in the Adopted Final Budget are any departmental savings that are carried forward into the current fiscal year. 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 agenda item actions. The sum of all these adjustments through December 31, 2018, totals $27.9 million. This reflects $17.2 million in carry forward of prior year appropriations, and $10.7 million in budget adjustments approved by the Board of Supervisors in the current fiscal year. The following chart reflects the Adjusted Operating Budget by Board of Supervisors' priority as of December 31, 2018:

Fiscal Year 2018-2019 Operating Budget Expenditures as of December 31, 2018 by Board Priority



2018-2019 Midyear Financial Report Overview

The 2018-2019 Midyear Financial Report serves as a fiscal review of departmental budgets and Board priority multi-year trends in both revenue and expenditures. The report includes an analysis of cash balances as of December 2018, organized by fund type. Additionally, the Chief Executive Officer recommends budget adjustments to ensure that departments are on track to end the year in a positive fiscal position while continuing to provide quality services to the community.

The recommendations presented in the Midyear Financial Report include a total increase of $8.9 million in estimated revenue and $6.5 million in appropriations. The recommendations contained in this report will result in an overall $2.4 million decrease in the use of fund balance/retained earnings to balance the operating budget.

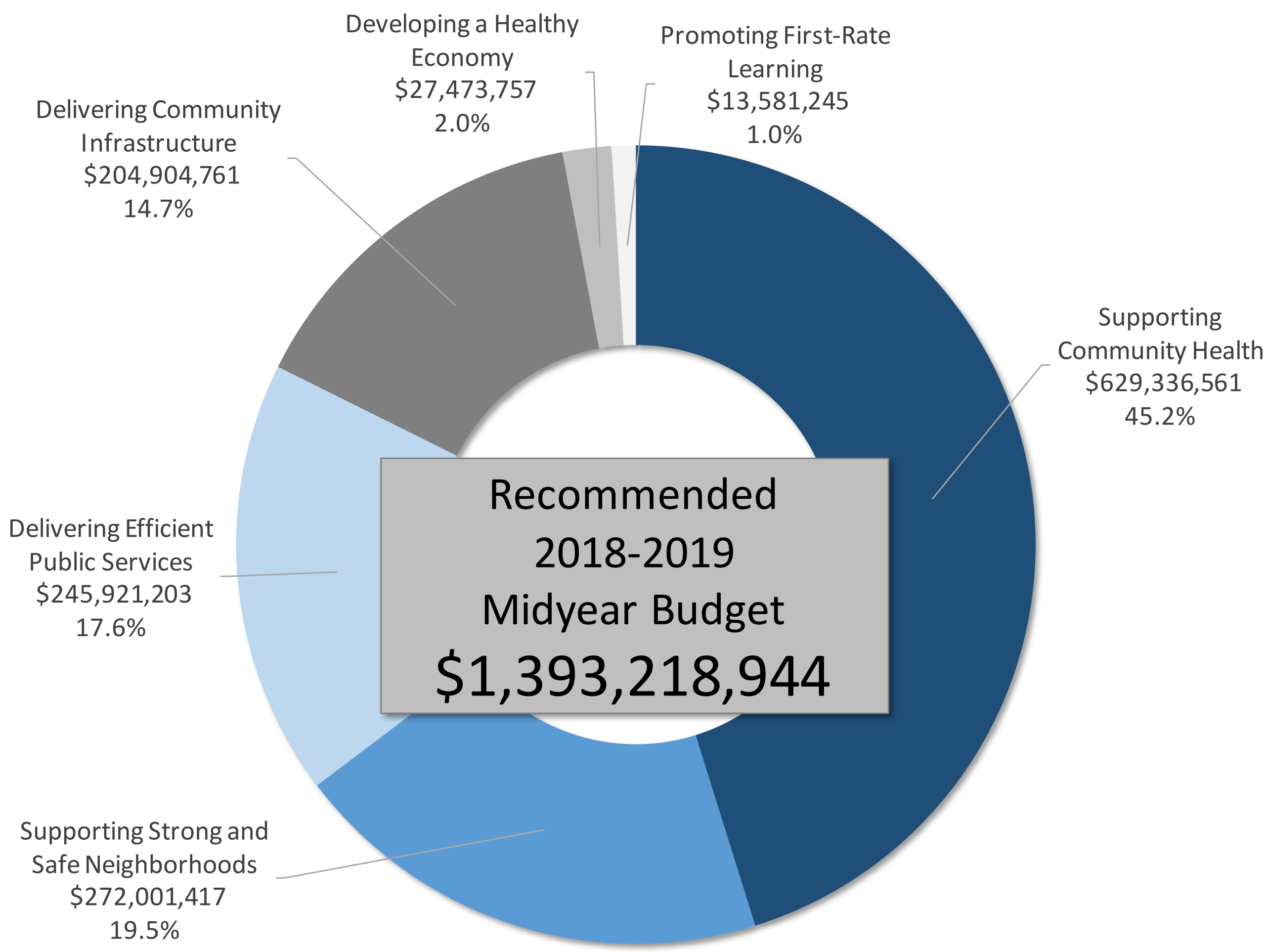
The Midyear Financial Report highlights the continued fiscal strength of the County, a result of prudent business strategies and Board of Supervisors' policy direction. Discretionary Revenue is projected to end the fiscal year with $3.2 million in additional revenue above that budgeted in the 2018-2019 Adopted Final Budget. Contributing to the increase are updated estimates for fines, forfeitures, and penalties and interest income, which is affecting

Revenue from Use of Money and Other Financing Sources.

Midyear financing strategies rely on $1.3 million in recommended transfers from Appropriations for Contingencies. These transfers will provide $498,170 to General Fund departments for health insurance cost increases; $267,154 through General Fund Contribution to Other Programs, of which $65,666 will be used to issue North McHenry tax sharing agreement payments and $201,488 will be transferred to CEO – Stanislaus Veterans Center to cover operational costs and reduced lease revenue; $377,000 through Mandated County Match for Community Services Agency – General Assistance to support Foster Care High Needs Youth; $94,278 to Clerk-Recorder – Elections for increased elections costs; and $101,468 to County Counsel, of which $97,469 will cover termination cash-outs and $3,999 will support the Net County Cost portion of a new Deputy County Counsel V. The transfer of Appropriations for Contingencies requires a four-fifths vote by the Board of Supervisors. If approved, approximately $6.1 million in available funding will remain in Appropriations for Contingencies for use throughout the balance of Fiscal Year 2018-2019.

The following chart depicts the Recommended Midyear Budget organized by Board of Supervisors' priority area, followed by a table summarizing the recommended budget adjustments by fund type, showing the progression from the 2018-2019 Adopted Final Budget through midyear evaluation and analysis:

Fiscal Year 2018-2019 Recommended Midyear Budget Expenditures by Board Priority



Consistent with standard accounting practices, the County's budget is divided into separate financial entities known as "funds". These fund types are used to segregate resources and demonstrate legal compliance. The following table reflects the Adopted Final Budget for 2018-2019, alongside the Midyear Operating budget and the Recommended Midyear Adjustments.

Development of the Midyear Budget Recommendation

Fund Type	2018-2019 Adopted Final Budget	2018-2019 Midyear Operating Budget	Recommended Midyear Adjustments	Recommended 2018-2019 Midyear Budget
General Fund	$ 356,575,653	$ 372,954,391	$ (1,348,907)	$ 371,605,484
Special Revenue Funds	802,880,307	811,352,325	4,068,471	815,420,796
Capital Projects Funds	731,000	731,000	-	731,000
Enterprise Funds	84,041,359	85,613,084	2,308,300	87,921,384
Internal Service Funds	114,617,784	116,092,935	1,447,345	117,540,280
Total	**$ 1,358,846,103**	**$ 1,386,743,735**	**$ 6,475,209**	**$ 1,393,218,944**

General Fund

The General Fund Recommended Midyear Budget for Fiscal Year 2018-2019 is $371,605,484, a decrease of $1,348,907 from the 2018-2019 Midyear Operating Budget. The decrease represents the net of $1,490,993 in departmental requests and $498,170 in technical adjustments, which are detailed in the department sections of this report, offset by a $1,338,070 transfer from Appropriations for Contingencies and a $2 million reduction in General Fund Contribution to Other Programs.

Special Revenue Funds

The Special Revenue Fund Recommended Midyear Budget for Fiscal Year 2018-2019 is $815,420,796, an increase of $4,068,471 from the 2018-2019 Midyear Operating Budget.

The primary contributors to the recommended increase include: a $1 million increase in Workforce Development related to Workforce Innovation and Opportunity Act (WIOA); a $909,000 increase in Planning-Special Revenue Grants for Community Development Block Grant (CDBG) Housing and Urban Development grants; a $609,905 increase in Aging and Veterans Services-Area Agency on Aging to accommodate additional Federal and State funding for senior programs; and other departmental operational needs detailed in the attached Midyear Financial Report.

Capital Projects Funds

The Capital Projects Fund Recommended Midyear Budget for Fiscal Year 2018-2019 is $731,000, consistent with the 2018-2019 Midyear Operating Budget; there are no recommended adjustments.

Enterprise Funds

The Enterprise Funds Recommended Midyear Budget for Fiscal Year 2018-2019 is $87,921,384, an increase of $2,308,300 from the 2018-2019 Midyear Operating Budget.

The primary contributors to the recommended increase include: a $2.1 million increase in Environmental Services-Fink Road Landfill for depreciation and closure costs and a $208,300 increase in Public Works-Local Transit for contracted ADA transportation Services with Empire.

Internal Service Funds

The Internal Service Funds Recommended Midyear Budget for Fiscal Year 2018-2019 is $117,540,280, an increase of $1,447,345 from the 2018-2019 Midyear Operating Budget.

The primary contributors to the recommended increase include: a $658,625 increase in CEO-Risk Management Division – General Liability budget for defense attorney fees and loss expenses for seven new cases and additional settlements; a $237,098 increase in General Services Agency Fleet Services for increases in fuel costs and usage; a $180,000 increase in Strategic Business Technology for additional Office 365 licenses; and other departmental operational needs detailed in the priority highlights section of this Midyear Financial Report.

Fund Balance

The beginning fund balance for all funds on July 1, 2018 was $512.2 million. The 2018-2019 Adopted Final Budget included the planned use of $68.5 million in fund balance. Adjusted to include prior year encumbrance carryovers and Board of Supervisors' actions approved through December 31, 2018, a total of $93.5 million in the use of fund balance was projected for all departments.

The recommendations contained in the Midyear Financial Report include department adjustments that will increase the use of fund balance by $3.6 million, including $2.1 million for Environmental Resources – Fink Road Landfill, $827,000 for Health Services Agency – Public Health, $208,066 for Planning – Building Permits, and $200,000 for Planning – Special Revenue Grants. These increases are offset by decreases in the use of fund balance projected in the General Fund of approximately $6 million for a net reduction of $2.4 million in countywide use of fund balance compared to the December 31, 2018 Operating Budget. This significant reduction is primarily due to an increase of $3.2 million in Discretionary Revenue, a $2 million decrease in General Fund Contribution to Other Programs, and the transfer of $1.3 million in Appropriations for Contingencies along with increases in estimated revenue in various departments.

Note that fund balance for Capital Projects Funds only contains balances for two budgets, CEO – Courthouse Construction Fund and CEO – Criminal Justice Facility Fund, funds traditionally included in the overall County budget. However, various funds exist within the financial management system for Board approved projects that maintain a fund balance. These other project funds began the fiscal year with $54.6 million in fund balance and are projected to end the year with an aggregate $39.8 million over that shown in the table below.

Inclusive of the budget adjustments identified in this Midyear Financial Report, projected fund balance on June 30, 2019, is forecast to be $421 million across all funds.

Below is a chart of the projected fund balance at year-end by fund type:

Summary of Fund Balance by Fund Type

Fund Type	Beginning Fund Balance on 7/1/2018*	Operating Budget Revenue on 12/31/2018	Operating Budget Appropriations on 12/31/2018	Midyear Recommended Use of Fund Balance	Projected Fund Balance on 6/30/2019
General Fund	$ 204,095,235	$ 340,062,445	$ 372,954,391	$ (6,024,482)	$ 177,227,771
Special Revenue Funds	223,788,244	775,068,810	811,352,325	1,327,088	186,177,641
Capital Projects Funds	3,539,295	760,000	731,000	-	3,568,295
Enterprise Funds	60,514,891	65,518,153	85,613,084	1,593,300	38,826,660
Internal Service Funds	20,224,095	111,799,723	116,092,935	723,257	15,207,626
Total All Funds	**$ 512,161,760**	**$ 1,293,209,131**	**$ 1,386,743,735**	**$ (2,380,837)**	**$ 421,007,993**

**The Final Budget document reported a total beginning fund balance of $507.8 million. Since that time, post-closing adjustments of $4.4 million have been posted for all funds which resulted in a revised beginning fund balance of $512.2 million, as depicted above. Significant post-closing adjustments included pension expenses for the Enterprise and Internal Service Funds associated with GASB 68; the timing of transfer of funds from Child Support Services' trust fund to their Special Revenue Fund; fair market value adjustments for the Tobacco Endowment Funds; and increased Risk Management Liability amounts.*

General Fund Update

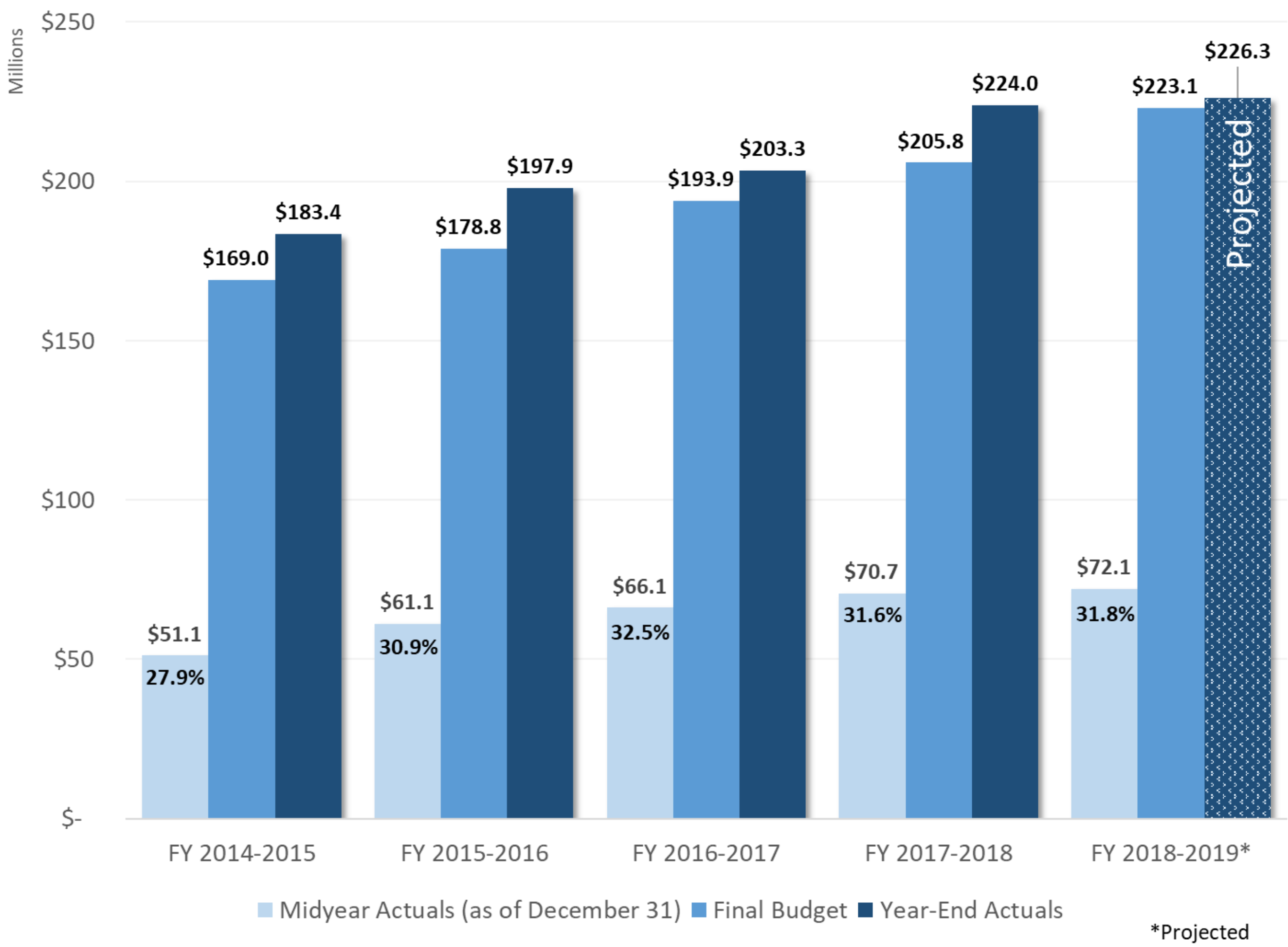
Discretionary Revenue

Discretionary Revenue refers to revenue received in the General Fund that is available to fund programs at the Board of Supervisors' discretion. Total Discretionary Revenue included in the 2018-2019 Adopted Final Budget was projected at $223.1 million. As of December 31, 2018, approximately $72.1 million in revenue had been received, representing 32.3% of the Final Budget total.

Over the past four years, Discretionary Revenue collected through midyear ranged from 30.3% to 34.3% of the Final Budget projection, placing this year's receipts squarely within historical range. Additionally, the four-year history shows that revenue realized through midyear varied from 27.9% to 32.5% of actual year-end total receipts. Using revenue data from the first six months along with historical trend analysis, the 2018-2019 Midyear Budget reflects Discretionary Revenue estimated at $226.3 million, an increase of $3.2 million over that projected in the Final Budget. Revenue received through December 2018 represents 31.8% of this updated estimate.

The following chart provides a five-year comparison of midyear activity, including current year data, to show the first six months in revenue receipts, each year's Adopted Final Budget, and year-end actuals for the previous four years, with midyear projections noted for Fiscal Year 2018-2019.

General Fund – Discretionary Revenue Five-Year Comparison



Midyear projections of $226.3 million represent an increase of $3.2 million, or 1.5%, over that estimated in the 2018-2019 Adopted Final Budget. This net increase includes projected growth in Fines, Forfeitures, and Penalties, Revenue from Use of Money, and Other Financing Sources along with decreases in Intergovernmental Revenue and Other Financing Sources.

There are no recommended changes to the County's largest source of Discretionary Revenue, Taxes; Property Tax and Sales Tax revenues are tracking in line with the Adopted Final Budget level of $127.7 million and $25.7 million respectively. Property Tax revenue is projected at 6% above the prior year, consistent with the growth in the Assessment Roll. Sales Tax is projected at 1% above the prior year.

Following is a summary of the recommended changes in the effected Discretionary Revenue categories:

Fines, Forfeitures, and Penalties

This revenue is derived from fines, fees, and penalties collected on delinquent property taxes. This revenue peaked when real estate market values dropped significantly during the last recession; however, as the rate of foreclosures has declined, so too has this revenue source. Projections in the 2018-2019 Adopted Proposed Budget totaled $2.5 million based on receipts through March 2018. At the time Final Budget projections were calculated, Fiscal Year 2017-2018 revenues still had not been fully realized and concern arose that there might be a more significant decline in this revenue. Based on this uncertainty, the 2018-2019 Adopted Final Budget was adjusted downward to $1.5 million.

After that adjustment, Fiscal Year 2017-2018 year-end revenue receipts totaled $3.2 million. Actuals through December 2018 are also coming in slightly higher than those realized through December 2017. Several factors were considered in determining a reasonable estimate for Fiscal Year 2018-2019, including analysis of a steady four-year decline in this revenue source and a calculation of midyear to year-end trends. Recognizing that the time since the most recent recession has extended beyond that normally experienced historically, it is possible that this revenue could be leveling out.

A conservative approach to estimating this changing revenue stream relies on recent historical data. The most recent three-year decline rate averages at a negative 11.9%. Using this rate of decline against Fiscal Year 2017-2018 year-end receipts results in an updated 2018-2019 year-end projection of nearly $2.8 million. An adjustment of $1.2 million is recommended for Fines, Forfeitures, and Penalties to bring the 2018-2019 Midyear Budget to $2.7 million.

Revenue from Use of Money

Interest earned on General Fund pooled cash in the Treasury makes up most of the revenue in this category. As the General Fund cash balance has increased, so too has the interest earned. Posted quarterly, revenue received through December 2018 far exceeds that received last fiscal year. Additionally, Fiscal Year 2017-2018 ended with revenue up 32% above that received in Fiscal Year 2016-2017.

Interest rates have increased, which along with the strong cash balance maintained in the General Fund contributes to the interest revenue received through midyear. The December 2018 quarter revenue was received in January and considered when running projections for year end. An increase of $1.75 million is recommended for Interest revenue. This will increase the total amount estimated in Revenue from Use of Money, bringing the 2018-2019 Midyear Budget to $6 million.

Intergovernmental Revenue

Intergovernmental Revenue includes revenue from Federal, State, and other local governmental sources in the form of grants, shared revenues, and payments in-lieu-of taxes. The 2018-2019 Adopted Final Budget included $2 million in anticipated revenue from the State, designated as pass-through funding for a local non-profit. This revenue has been issued directly to the non-profit, eliminating the need to reserve it as a placeholder. A decrease of $2 million is recommended for Intergovernmental Revenue, for an updated budget of $48.2 million.

Note, Public Safety Sales Tax, established through Proposition 172, is the largest contributor to Intergovernmental Revenue, and remains estimated at $46 million at midyear, with no change from the Adopted Final Budget level. This estimate is 5% above the prior year actual receipts, and represents a one-time anomaly in which the County benefited from an increase to our portion of the Statewide pool rate. Annual growth is expected to return to a standard of 1% per year, consistent with traditional sales tax trends.

Other Financing Sources

Several budget adjustments are recommended in this revenue category, of which two are technical adjustments to right-size estimates to known changes. Operating Transfers In identifies revenue received for the repayment of debt for the Stanislaus Animal Services Agency facility. The portion of debt due from the County was repaid in Fiscal Year 2017-2018, bringing the repayment anticipated in Fiscal Year 2018-2019 down by $104,234. Projections had also been included for the repayment of funds for the AB 900 jail project, which was repaid in Fiscal Year 2017-2018, eliminating another $500,000 in projected revenue.

Interest earnings on the Series 2002 and Series 2006 Tobacco Endowment Funds are identified in Other Financing Sources. On June 26, 2018, the Board of Supervisors approved an amendment to the Tobacco Investment Policy, changing the distribution of investment income to the Stanislaus County General Fund from 80% (net of expenses) to 100% (net of expenses). Under the revised policy, effective July 1, 2018, 100% of income on investments in the endowments is distributed to the General Fund within 30 days of receipt. Previously, revenue posted to General Fund on an annual basis, posting in July of the following fiscal year.

Fiscal Year 2018-2019 serves as the transitional year for this policy update, having received prior year revenue in July along with subsequent monthly income for Fiscal Year 2018-2019 beginning in August. A combined $2.9 million increase is recommended for the two endowment funds. In total, an increase of nearly $2.3 million is recommended for Other Financing Sources, bringing the Midyear Budget to $6.4 million, of which $3.2 million is one-time revenue associated with the conversion in distribution methodology of Series 2002 and Series 2006 Tobacco Endowment investment income.

The following chart summarizes 2018-2019 Midyear Budget projections and recommended adjustments totaling $3.2 million for a revised Discretionary Revenue budget of $226.3 million. Discretionary Revenue is continuously monitored and analyzed throughout the fiscal year. Any budget adjustments identified through that review process will be addressed in the Third Quarter Financial Report, if necessary.

Discretionary Revenue Midyear Adjustments				
Discretionary Revenue Category	Fiscal Year 2017-2018 Actuals	Fiscal Year 2018-2019 Final Budget	Midyear 2018-2019 Projections	Midyear Recommended Adjustments
Taxes	$ 154,866,351	$ 159,462,000	$ 159,462,000	$ -
Licenses, Permits, and Franchises	1,166,401	1,100,000	1,100,000	-
Fines, Forfeitures, and Penalties	3,158,261	1,500,000	2,700,000	1,200,000
Revenue from the Use of Money	4,372,196	4,250,000	6,000,000	1,750,000
Intergovernmental Revenue	46,450,668	50,207,000	48,207,000	(2,000,000)
Charges for Services	2,814,167	2,451,000	2,451,000	-
Miscellaneous Revenue	496,386	-	-	-
Other Financing Sources	10,634,993	4,098,632	6,394,398	2,295,766
Total Discretionary Revenue	**$ 223,959,423**	**$ 223,068,632**	**$ 226,314,398**	**$ 3,245,766**

Recommendation: It is recommended to increase estimated Discretionary Revenue by $3,245,766.

General Fund Classification of Fund Balance

Of the five classifications of fund balance, Nonspendable, Restricted, and Committed are the most restrictive categories and are legally or contractually obligated components of fund balance. Assigned fund balance is comprised of amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Unassigned fund balance is the least restrictive and is technically available for any purpose. The Chief Executive Officer has been authorized by the Board of Supervisors to assign portions of Unassigned fund balance for specific purposes such as debt service, carryover appropriations, contingencies, and budget balancing.

Balances in the Nonspendable category will be maintained at $12.9 million and Restricted fund balance will hold at $4.9 million for the year. Adjustment Strategies identified in the 2018-2019 Adopted Final Budget will leave a projected year-end Committed balance of $1.4 million.

Within Assigned Fund Balance, Adjustment Strategies identified in the 2018-2019 Adopted Final Budget total $13.3 million. Budgeted Use of Fund Balance has been updated at Midyear to include post-closing entries totaling $9.7 million in combined carryover appropriations and prior year encumbrances from Fiscal Year 2017-2018, utilizing Assigned fund balance in the current fiscal year. Additionally, $4.5 million was approved by the Board of Supervisors on October 9, 2018, for the purchase of retail space on the first floor of Tenth Street Place at 1010 10th Street in Modesto. Inclusive of the planned use of $500,000 for Americans with Disabilities Act (ADA) improvements, $1 million in deferred maintenance costs, and $13.4 million in budget balancing, a combined $29.1 million will be utilized in Assigned fund balance, bringing the projected year-end fund balance for this category to $146.3 million.

Adopted Final Budget assumed the use of Unassigned fund balance of $1.9 million; Legal Budget reflects reliance on Unassigned fund balance of $3.8 million primarily due to the Board approval of $2 million for the Grayson Road Firing Range Cleanup Project. Midyear adjustments include the addition of $6 million, mostly due to the increase of $3.2 million in Discretionary Revenue, leading to a year-end projected Unassigned fund balance of $11.6 million.

The beginning fund balance of $204.1 million is slightly lower than that reported in the 2018-2019 Adopted Final Budget and includes $60,313 in post-closing adjustments to Unassigned fund balance.

Inclusive of budgeted use of fund balance and midyear adjustments, total fund balance is projected to end the fiscal year at $177.2 million.

Classification of Fund Balance - Summary

General Fund	Fund Balance 7/1/2018	Adjustment Strategies	Budgeted Use of Fund Balance	Midyear Recommendations	Projected Fund Balance 6/30/2019
Fund Balance - Nonspendable					
Imprest Cash	$ 85,655				$ 85,655
Advances to Other Funds	100,000				100,000
Advances to Other Governments (0100)	71,000				71,000
Advances to Other Governments (0105)	1,256,093				1,256,093
Advances to Other Governments (0107)	20,000				20,000
Teeter Receivable	11,241,313				11,241,313
Prepaid Items	175,301				175,301
Encumbrances (0100)	-				-
Total Nonspendable	**$ 12,949,362**	**$ -**	**$ -**	**$ -**	**$ 12,949,362**
Fund Balance - Restricted					
Fund 106 - Tax Loss Reserve	$ 4,934,185				$ 4,934,185
Total Restricted	**$ 4,934,185**	**$ -**	**$ -**	**$ -**	**$ 4,934,185**
Fund Balance - Committed					
Total Committed - Other	$ 1,435,527				$ 1,435,527
Total Committed - Capital Acquisition	13,260,295	(13,260,295)			-
Total Committed	**$ 14,695,822**	**$ (13,260,295)**	**$ -**	**$ -**	**$ 1,435,527**
Fund Balance - Assigned					
Contingency (General Fund Reserve Policy)	$ 15,588,440	$ 1,086,560			$ 16,675,000
Retirement Obligation	8,800,000				8,800,000
Teeter Plan	21,961,559				21,961,559
Carryover Appropriations (0100) - Funds Available	3,727,374		(3,727,374)		-
Carryover Appropriations (0107)	121,806		(121,806)		-
Encumbrances (0100)	5,817,074		(5,817,074)		-
Encumbrances (0105)	45,024		(45,024)		-
Assigned - Budget Balancing	13,379,322		(13,379,322)		-
Assigned - Cash-out Obligations	4,000,000				4,000,000
Assigned - Community Impact - Housing	-	10,000,000			10,000,000
Assigned - Community Impact - Jobs/Crows Landing IP	-	20,000,000			20,000,000
Assigned - Debt Service Reserve	11,848,927	(11,248,927)			600,000
Assigned - Fair Value Adjustment (0100)	(916,155)				(916,155)
Assigned - Fair Value Adjustment (0105)	(10,888)				(10,888)
Assigned - Fair Value Adjustment (0107)	(9,615)				(9,615)
Assigned - Future Budget Balancing	-	5,190,116			5,190,116
Assigned - Housing and Community Development (Gray)	2,500,000				2,500,000
Assigned - Library Projects (Turlock and Empire)	-	2,000,000			2,000,000
Assigned - Revenue Stabilization	23,000,000				23,000,000
Total Assigned Other	52,265,869	(13,767,454)	(5,977,000)		32,521,415
Total Assigned	**$ 162,118,737**	**$ 13,260,295**	**$ (29,067,600)**	**$ -**	**$ 146,311,432**
Fund Balance - Unassigned					
General Fund (0100)	$ 3,516,718		$ (984,629)	$ 6,024,482	$ 8,556,571
Economic Development Bank (0105)	3,212,250		(2,834,976)		377,274
Community Development Bank (0107)	2,668,161		(4,741)		2,663,420
Total Unassigned	**$ 9,397,129**	**$ -**	**$ (3,824,346)**	**$ 6,024,482**	**$ 11,597,265**
Total Fund Balance	**$ 204,095,235**	**$ -**	**$ (32,891,946)**	**$ 6,024,482**	**$ 177,227,771**

Cash Review

General Fund Overall Cash Position

General Fund		Fiscal Year 2017-2018		Fiscal Year 2018-2019		Variance
Beginning Cash Balance	$	144,168,106	$	168,979,931	$	24,811,825
Midyear Cash Balance (as of December 31)	$	126,225,983	$	136,986,406	$	10,760,423

The Fiscal Year 2018-2019 beginning cash position of $169 million represents an increase of $24.8 million over the prior year beginning balance. This is largely due to an increase in Assigned Fund Balance representing strategic savings for exposures in upcoming budget years, with the remainder consistent with the 3% growth realized in Discretionary Revenue. As of midyear, the General Fund cash balance is $137 million, an increase of $10.8 million in cash over that identified at midyear 2017-2018. This is primarily due to the higher beginning cash balance for Fiscal Year 2018-2019.

Special Revenue Funds Overall Cash Position

Special Revenue Funds		Fiscal Year 2017-2018		Fiscal Year 2018-2019		Variance
Beginning Cash Balance	$	151,096,499	$	146,824,724	$	(4,271,775)
Midyear Cash Balance (as of December 31)	$	159,383,610	$	163,432,504	$	4,048,894

As of midyear, the Special Revenue Fund cash is at $163.4 million compared to $159.4 million for the same period last fiscal year. The variance of $4 million is primarily due to the following:

- Community Services Agency – Overall department budget has a positive cash balance of $22.3 million compared to the December 31, 2017 positive balance of $21.1 million. The $1.5 million increase in cash is primarily attributed to 2011 Realignment revenue reserves to be dedicated to realigned program services.

- Library- The Library has a positive cash balance of $8.3 million compared to the December 31, 2017 positive balance of $10.2 million. The decrease in cash balance of $1.9 million is primarily attributed to system wide infrastructure improvement projects.

- Department of Child Support Services - The Department of Child Support Services (DCSS) budget has a positive cash balance of $2.6 million compared to the December 31, 2017 negative balance of $1.3 million. The $3.9 million increase in cash is primarily due to closure of a trust fund that had previously accounted for approximately $1.5 million in formerly earned revenue to support DCSS infrastructure improvement projects. The remainder of the increase in cash balance, $2.4 million, can be attributed to the timing differences among Federal and State revenue allocations/advances and actual incurred costs.

- Probation – Local Community Corrections has a positive cash balance of $21.7 million compared to the December 31, 2017 positive balance of $18.7 million. The increase in cash balance of $3 million is due to increased Public Safety Realignment revenue received in excess of budget, and staff vacancies at funded departments contributing salary savings.

- Public Works - Road & Bridge Projects combined have a positive cash balance of $3.5 million compared to the December 31, 2018 positive balance of $5.3 million. The decrease in cash balance of $1.8 million is consistent with spending on actual road projects.

- The remainder of the change in cash position, is a net decrease from December 31, 2017 of approximately $700,000, recognizing current year operations across multiple Special Revenue budgets that include Behavioral Health and Recovery Resources, Department of Environmental Resources, Health Services Agency, and the Department of Planning and Community Development.

Capital Projects Funds Overall Cash Position

Capital Project Funds	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Variance
Beginning Cash Balance	$ (2,144,929)	$ 2,189,946	$ 4,334,875
Midyear Cash Balance (as of December 31)	$ 2,689,297	$ 3,585,339	$ 896,042

As of midyear, the Capital Projects Funds cash has a positive cash balance of $3.6 million compared to a positive cash balance of $2.7 million for the same period last year. The variance of $896,042 is primarily attributable to reimbursements from the State of California for the Public Safety Center expansion projects.

Enterprise Funds Overall Cash Position

Enterprise Funds	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Variance
Beginning Cash Balance	$ 41,329,131	$ 43,049,350	$ 1,720,219
Midyear Cash Balance (as of December 31)	$ 37,475,301	$ 44,609,655	$ 7,134,354

As of midyear, the Enterprise Funds cash has a positive cash balance of $44.6 million compared to a positive cash balance of $37.5 million for the same period last year. The variance of $7.1 million is primarily attributable to an increase in Federal and local funding in Public Works Transit; and Cost Report settlements from the Federally Qualified Health Center (FQHC) Clinic Reconciliations, Prospective Payment System (PPS) Medicare Cost Reports, and an increase in Health Plan Incentive revenues, in Health Services Agency Clinics and Ancillary Services.

Internal Service Funds

Internal Service Funds	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Variance
Beginning Cash Balance	$ 54,801,620	$ 51,164,622	$ (3,636,998)
Midyear Cash Balance (as of December 31)	$ 46,328,269	$ 51,509,557	$ 5,181,288

As of midyear, the Internal Service Funds cash balance is $51.5 million compared to $46.3 million for the same period last fiscal year. The variance of $5.2 million is primarily attributed to the following:

- CEO – Risk Management – Medical Self-Insurance has a cash balance of $16 million as of midyear compared to the balance of $11.5 million from the same period last year. The $4.5 million increase is due to the transition of the third-party administrator functions from POMCO to new owners

UnitedHealthcare/UMR that resulted in a $1.9 million deficit for claims rushed and paid in December 2017; a renegotiation of Stanislaus County Partners in Health network contracts that generated significant claim savings; and additional revenues attributable to a 5.2% increase to medical rates and 2% increase in plan enrollees.

- Public Works – Morgan Shop has a positive cash balance of $439,652 as of midyear compared to the negative cash balance of $1.7 million from the same period last year. The variance of $2.1 million is primarily attributable to a transfer of $1 million from Road and Bridge to Morgan Shop for charges erroneously billed to the shop; the addition of $238,700 in Public Facility Fees; and $450,000 in increased revenue associated with the Road and Bridge Chip Seal project fuel costs and equipment rental fees.

Challenges and Opportunities

Behavioral Health and Recovery Services (BHRS) Office of Inspector General Audit

BHRS has been notified that the State of California will be seeking $180.7 million from counties in federal recoupments levied as a result of a Health and Human Services Office of Inspector General (OIG) audit of California's Medi-Cal specialty mental health service claims for federal fiscal year 2014. The State Department of Health Care Services is tasked by the 2019 State Budget Act with developing a methodology for repayment. Stanislaus County has been notified that its mandated share of recoupment by the State for BHRS services is approximately $2.4 million based on a statewide formula. It is expected this could mean a $600,000 per year, for four years, reduction of 1991 Realignment funds in the BHRS budget.

Community Services Agency (CSA) In Home Supportive Services (IHSS) Administration, Maintenance of Effort (MOE) and Realignment

Recent changes in the State funding formula for the In-Home Supportive Services program present challenges in budgeting local match. The Governor's January Budget for 2019-2020 provides news of some relief to previous County exposures in funding IHSS services; CSA will continue to analyze impacts associated with 1991 Realignment funds. Particularly, Accelerated Realignment revenue and the potential shortfalls in support of the IHSS MOE are not known. Additional analysis on any potential overmatch in the MOE will be conducted in order to mitigate any risk to the County General Fund.

Separate and apart from the service MOE issue, effective midyear of 2017-2018, changes in the State Budget, removed IHSS administration, case management, support, and Public Authority from the Maintenance of Effort formula and established a capped allocation for funding the program. The allocation level was determined insufficient in the prior year to fund actual mandated services. This under-funding has continued into midyear 2018-2019, and current operations exceed the allocation funding level by approximately $2 million. The department has used 1991 Realignment funding to cover this shortfall to date. The department will provide a plan for staffing and operations consistent with State and Federal funding authority as part of the Proposed Budget for 2019-2020, along with any recommendations for local match funding.

District Attorney Staff Recruitment and Retention

In recent years, the District Attorney's Office has struggled with recruitment and retention challenges above the average across County departments. The Department has requested assistance in analyzing this trend, and staff from the Chief Executive Office have been assigned to support the review. A thorough analysis will include staffing comparisons to other counties, and like department services with a focus on vacancy rates, salary and benefits, budget resources, and benchmark practices in human relations that are designed to increase employee engagement and retention.

Stanislaus Family Justice Center

Over the past year, County staff has been in discussions with representatives of the Stanislaus Family Justice Center (SFJC) Board regarding long-range financial modeling for the SFJC and ongoing County partnership support. The County has developed a single cost allocation plan model to ensure consistency across County departments providing administrative and facility support to the SFJC. In October 2018, several County departments, including the Chief Executive Office, participated in a Stakeholders Meeting hosted by the SFJC and plan to participate in a SFJC-hosted Strategic/Business Planning Session in Spring 2019. An update on the partnership including program performance visioning will be provided in a report to the Board of Supervisors planned for Summer 2019.

Homelessness Funding Within Stanislaus County

Stanislaus County homelessness services and funding are decentralized throughout the organization and supported by several departments, including Behavioral Health and Recovery Services, Community Services Agency, Probation, Sheriff, Heath Services Agency, and District Attorney along with additional governmental funding provided through Planning and Community Development. Money allocated toward preventing and reducing homelessness identified for Fiscal Year 2018-2019 totals $34.3 million and includes services and funding from County programs, Federal and State organizations, and local community partners, of which $10.6 million or 31% represent one-time funding.

Public Safety Services and Support for Fire Districts

The Educational Revenue Augmentation Fund (ERAF) was created in 1992-1993 to resolve a State budget deficit, permanently shifting over $3 billion in annual Assembly Bill (AB) 8 property tax revenue from counties, cities, and special districts. Subsequent mitigations provided by the State to remedy the revenue shortfall for local agencies included the absorption of Special District Augmentation Funds (SDAF) to their ERAF shift for fire districts and implementation of Proposition 172 half-cent sales tax for cities and counties, in support of local public safety. The result of these mitigating strategies, combined with variation in district specific assessments, is that disparities exist, leaving some fire districts with limited funding support. Staff continue to research options and funding strategies for expanding support to fire districts.

Realignment Growth

Both 1991 and 2011 Realignment revenue are funded through two sources: State sales taxes and Vehicle License Fees. Overall the County is projecting $138.6 million in Realignment revenue at Midyear, a $3.2 million increase over the 2018-2019 Adopted Final Budget.

The 2018-2019 Adopted Final Budget projected total 1991 Realignment revenue of $46.6 million which included estimated growth of $1.9 million. Actual growth was received in fall 2018 in the amount of $3.8 million, an increase of $1.9 million. The increase in growth along with other impacts to base funding result in an updated projection of $50.7 million for the year, an overall increase of $4.1 million.

The 2018-2019 Adopted Final budget projected total 2011 Realignment revenue of $88.8 million which included estimated growth of $5.6 million. Actual growth was received in fall 2018 in the amount of $5 million, a decrease of approximately $650,000. The decrease in growth along with other right-sizing of base results in an updated projection of $87.9 million for the year, an overall decrease of almost $900,000.

It is important to note that Departments are not asked to budget anticipated Realignment growth revenue during the Adopted Final Budget process. The timing of actual growth revenue receipts usually occurs in the fall, well after the Final Budget has been adopted. Unlike Realignment base funding, growth funding is not as easily projected and therefore, departments are asked to only budget estimated growth funds if excluding this funding source would trigger an additional General Fund request. At Midyear, departments have been asked to report on the actual Realignment growth funds received and consider if a budget adjustment is needed.

An additional increase of approximately $600,000 in base adjustment for 1991 Realignment Growth funding is anticipated for the Community Services Agency. Pending additional analysis related to the State Budget and funding for the IHSS program, described earlier in this report, a budget adjustment is anticipated by Third Quarter.

Stanislaus Animal Services Agency

The Stanislaus Animal Services Agency (SASA) Board has met over several sessions to address budget and operational challenges that led to Fiscal Year 2017-2018 closing with a $202,231 deficit (County's share is $74,022) and Fiscal Year 2018-2019 projecting to close with a $446,626 deficit (County's share is estimated to be between $75,000 and $100,000). It is anticipated the SASA Board will take action over the next few months to mitigate both deficits and staff will return to the Board of Supervisors at Third Quarter with an update and related budget request impacting CEO-Contributions to Others.

State Budget Update

On January 10, 2019, Governor Gavin Newsom released the 2019-2020 Proposed State Budget. His plan proposes to dedicate one-time funds for "budget resiliency" and prioritizes eliminating debt, building reserves (increasing the state's Rainy Day fund to more than $15 billion this year) and $4.8 billion to pay down unfunded retirement liabilities, totaling an unprecedented $13.6 billion toward these areas.

By the budget year, the nation will have experienced 10 straight years of economic expansion, matching the longest economic expansion in modern history. State projections assume moderate growth averaging 3.2 % between 2017-2018 and 2022-2023. The Governor noted that a one-year recession could result in a $70 billion revenue loss to the State General Fund.

Statewide economic information indicates the "Big 3" of State revenues will have moderate growth: Personal Income Tax revenues are projected to increase 2.5%, State Sales Tax is projected to decrease 2% and Corporation Tax is projected to increase 2.2%. Public Safety Realignment revenue is estimated to increase 4.4% in 2019-2020 statewide, which would locally contribute additional funds to the District Attorney/Public Defender, and Probation Community Corrections Partnership. Sheriff Trial Court Security is projected to decrease slightly statewide.

Other State budget Impacts to Stanislaus County could include investments in mental health treatment, expanding early detection and intervention in mental illness, funding for emergency homeless shelters and permanent supportive housing. A streamlined CEQA (California Environmental Quality Act) process could simplify the process for building housing and treatment facilities. Social service allocations for programs like Medi-Cal, and In-Home Supportive Services are proposed to increase. Early education and workforce development were also named as priorities that will see potential increases.

Of note, the Department of Child Support Services which has been flat funded for 20 years, is expected to see increased funding of $56 million across the state. For Stanislaus County Department of Child Support Services, an estimated $3 million increase, spread over three years, will significantly support the County's efforts.

The Governor's January 2019 budget proposes to modify Health Realignment funding from a 60 state/40 county split to a 75 state/25 county split to fund the Medi-Cal expansion for young adults through changes to AB 85, for the five non-formula counties, which includes Stanislaus County. The Governor's proposed budget inaccurately assumes that county costs will be decreased because of the proposed Medi-Cal expansion to cover more indigents. Any actual savings would be nominal to the Health Services Agency and in no way will offset the redirection of realignment funding as proposed. Specifically, it is estimated this proposal would take over $2.3 million from Stanislaus County 1991 Health Realignment funding that is used to fund critical public health services. Additional redirect of 1991 Health Realignment funding from the County to the state would result in fewer public health resources in order to pay for the proposed expansion to Medi-Cal.

Supporting Strong and Safe Neighborhoods

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

Supporting strong and safe neighborhoods for individuals and families to thrive

Priority Overview

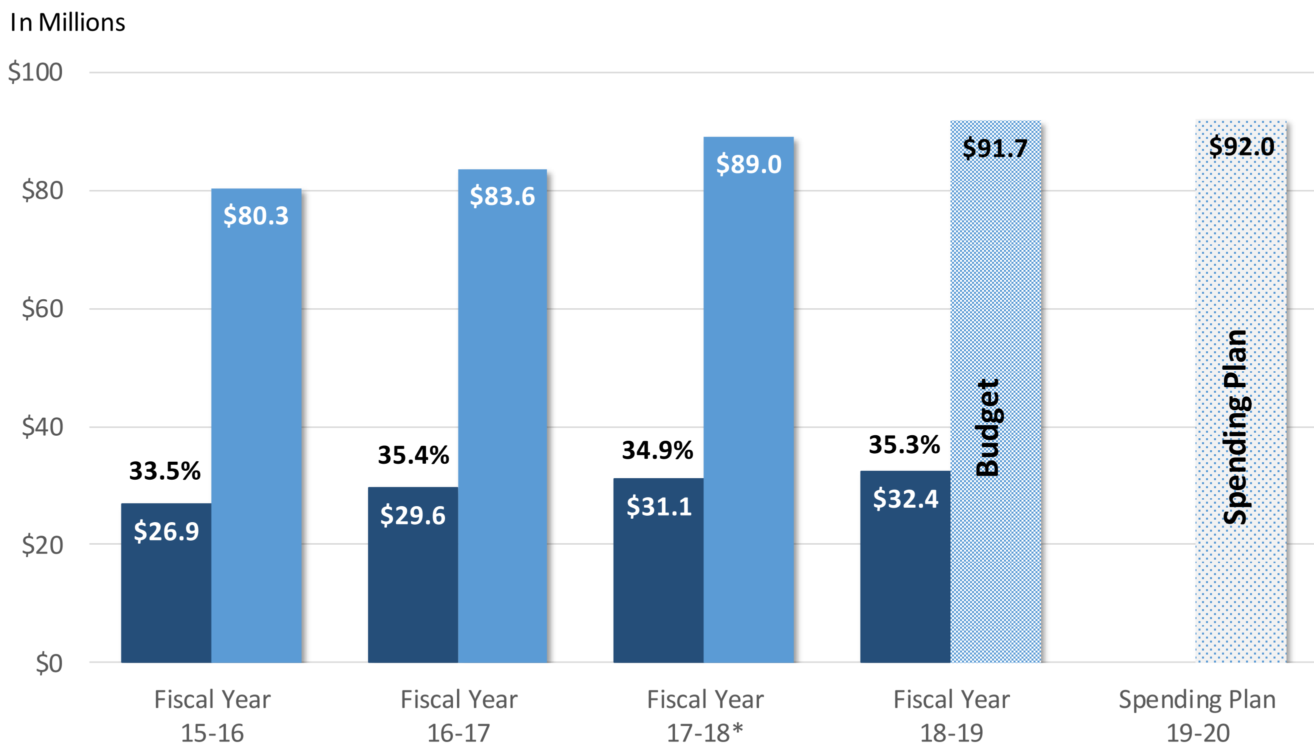
Ensuring a safe community and protecting the safety of the residents of Stanislaus County continues to be a top priority of the Board of Supervisors. Departments assigned to the Board of Supervisors' priority area of *Supporting Strong and Safe Neighborhoods* include: Chief Executive Office - Office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

Overall, the departments within the priority *Supporting Strong and Safe Neighborhoods* are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the departmental budgets that are part of the Board of Supervisors' priority area of *Supporting Strong and Safe Neighborhoods* as of December 31, 2018, actual revenue collected is $32.4 million, which represents 35.3% of the estimated annual revenue. This is within the range when compared to the Midyear point of the prior three years when collections ranged from 33.5% to 35.4% of the final actual revenue.

Supporting Strong and Safe Neighborhoods Four-Year Revenue Comparison

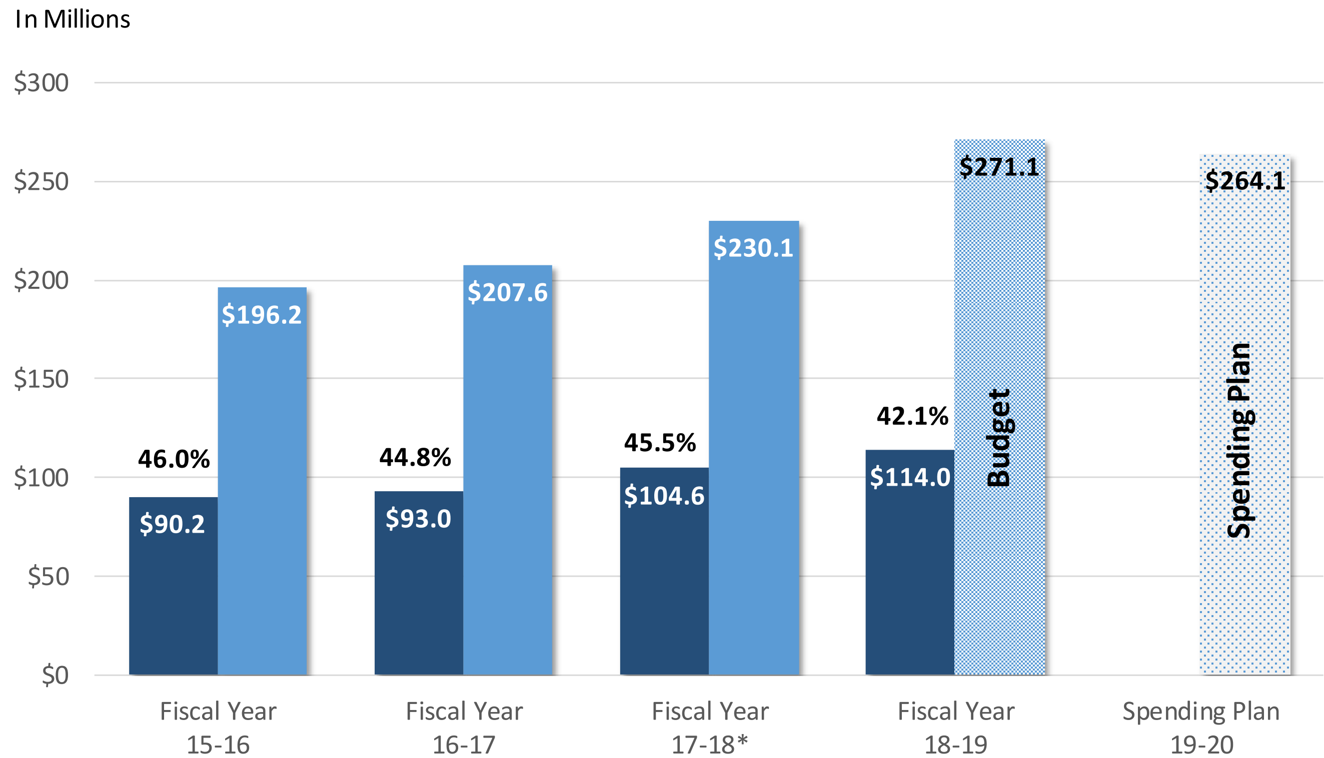


*The charts included in the 2018-2019 First Quarter Financial Report depicted the June Operating Budget for Fiscal Year 2017-2018; the Midyear charts have been updated using year-end actuals for a more consistent comparison between fiscal years.

Departmental Expenditures

As of December 31, 2018, expenditures are $114 million, representing 42.1% of the budgeted appropriations. This is slightly below the range when compared to the Midyear point of the prior three years when expenditures ranged from 44.8% to 46.0% of the final actual expenditures. This is primarily due to the conclusion of the 5% strategic salary savings program. As a result, additional appropriations were provided in Fiscal Year 2018-2019 to fund salaries at 100%.

Supporting Strong and Safe Neighborhoods Four-Year Expenditures Comparison



*The charts included in the 2018-2019 First Quarter Financial Report depicted the June Operating Budget for Fiscal Year 2017-2018; the Midyear charts have been updated using year-end actuals for a more consistent comparison between fiscal years.

Midyear Issues and Recommendations

The recommendations contained in this report for Strong and Safe Neighborhoods will increase appropriations by $880,269, which includes an increase of $367,625 as a technical adjustment for increased health insurance rates. The budget adjustments are funded by $820,770 in department revenue, $38,966 in department fund balance and $20,533 in General Fund Contribution.

CEO – Office of Emergency Services / Fire Warden

Historically, the Department has used contracted accounting and extra help employees to maintain compliance with Homeland Security Grant requirements. This work includes managing the grant inventory which equates to tracking over 1,500 items positioned throughout the county at 14 different agencies, and other budget support work. The mandated reporting required of the Department for participating with the Homeland Security Grants has doubled from biannually to quarterly reporting with detailed progress for each item within the grant, contractor hours, breakdown of payroll and various other milestones. All of this reporting is required of the Department on behalf of the 14 other agencies in the County who are sub-recipients of OES Homeland Security Grants. Extensive work with the 14 other agencies is required to sustain this funding source. A 20-hour contracted extra help employee, who is retiring, has absorbed all these tasks which are above the classification in expertise and hours needed.

The addition of a new Accountant III position to be funded by existing appropriations and to replace the retiring part-time extra help position is recommended. This position will be cost neutral for the remainder of 2018-2019 Fiscal Year. The ongoing annual cost is anticipated at $104,055; funded at 25% Homeland Security Grant, 25% Fire Service Fund and 50% General Fund.

Staffing Recommendation: It is recommended to add one new Accountant III position to address the increased Homeland Security grant reporting requirements, to remain compliant with Homeland Security Directives, and to support the Less-Than-Countywide (LTCW) contributing fire districts.

District Attorney

Auto Insurance Fraud Protection – The Department received notification from the California Department of Insurance that it was being awarded additional grant funds of $17,115 in Fiscal Year 2018-2019. It is recommended to increase estimated revenue and appropriations by $17,115. The additional funds will be used to support overtime costs for a Criminal Investigator assigned to this budget as well as to pay for training, supplies and audit services required by the grant.

Consumer Fraud Prosecution Program - The Fiscal Year 2017-2018 Adopted Final Budget included a recommendation that three positions which operate the Consumer Fraud program be included in the Department's Criminal Division base budget. Any available funding from the Consumer Fraud legal budget unit would be transferred to the Criminal Division budget each year to offset the total cost of all three positions when funding is available. It is recommended to increase estimated revenue and appropriations of $310,062 in the Consumer Fraud Budget and transfer these funds to the Criminal Division. This results in an increase to estimated revenue in the Criminal Division of $310,062 which is used to offset the cost of the three Consumer Fraud positions and reduces reliance on the County General Fund. This revenue represents the actual amount received through December 31, 2018. Any additional revenue received during the balance of the fiscal year will be transferred from the Consumer Fraud budget to the Criminal Division budget in the Fiscal Year End accounting close process, up to the actual cost of the positions.

Criminal Division – The Adopted Final Budget included $56,400 for a vehicle which will be used by a criminal investigator to conduct cannabis enforcement activities. The Department has determined that the funding provided is not sufficient for the vehicle that will be necessary to adequately support enforcement activities. It is recommended to fund the balance of the vehicle cost through a transfer of $38,000 from Salaries and Benefits to Fixed Assets. The reduction to salaries and benefits is possible due to significant salary savings identified by the Department at Midyear.

The Department received 2011 realignment growth funds from state-wide sales tax in excess of those budgeted in the Adopted Final Budget. Funds were received in October 2018, too late to include in the County First Quarter report. It is recommended to increase estimated revenue by $89,165 for the additional 2011 realignment growth funds received. This increased revenue results in an equal offset to the General Fund Contribution and returns $89,165 to the County General Fund.

It is recommended to decrease appropriations in the Criminal Division of $141,911 to offset the Net County Cost increase, funded through an increase in County Match, in the Real Estate Fraud Prosecution budget of $131,957 and in the Victim Compensation and Government Claims budget of $9,954. This is primarily a technical adjustment needed to align appropriations and Net County Cost with Department operations. The Department's Midyear financial analysis identified a need to increase appropriations of $123,243 for salary and benefit costs in the Real Estate Fraud Prosecution budget and a need to reduce estimated revenue by $8,714, resulting in a Net County Cost of $131,957. In addition, it is recommended to increase appropriations of $10,000 in the Victim Compensation and Government Claims budget, funded by an increase of $9,954 in County Match and $46 in Departmental Fund Balance. Fund balance on July 1, 2018, was $46. The additional use of fund balance will leave zero balance in departmental fund balance at year end.

Elder Abuse Advocacy and Outreach – It is recommended to increase appropriations by $50,998 and estimated revenue by $52,953 in this budget for salary and benefit costs related to a victim advocate, including on-call pay which was not previously included in the Adopted Final Budget. The increase will also pay for additional contracted elder and dependent adult services. Funding for this budget is received from the California Office of Emergency Services on a reimbursement basis. The increased revenue will also restore the fund from a negative $1,955 fund balance position created by prior year costs that were not reimbursed by 2017-2018 Fiscal Year End.

Federal Asset Forfeiture – It is recommended to decrease appropriations by $2,595 to align this budget with available revenue and fund balance of $136. This is a technical fix to eliminate the possibility that this budget would overspend and create a negative fund balance position.

Unserved/Underserved Victim Advocacy and Outreach – It is recommended to increase appropriations by $20,467 for additional overtime, on call and other salary and benefit costs related to victim advocates, as well as additional anticipated training costs. This increase is funded with $20,467 in available department fund balance. Fund balance on July 1, 2018, was $39,786. The additional use of fund balance will leave an anticipated $19,319 in departmental fund balance at year end.

Budget Unit Name	Recommended Budget Adjustment: Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
DA - Auto Insurance Fraud Protection	$17,115	$17,115	$0	$0	Increase appropriations and estimated revenue for additional award received from the Department of Insurance.
DA - Consumer Fraud Protection Program	$310,062	$310,062	$0	$0	Increase appropriations and estimated revenue for an operating transfer out to the Criminal Division and for unanticipated revenue received.
DA - Criminal Division	$0	($38,000)	$0	($38,000)	Transfer appropriations from Salaries and Benefits to Fixed Assets for costs related to a previously approved vehicle purchase.
DA - Criminal Division	$0	$38,000	$0	$38,000	Transfer appropriations to Fixed Assets from Salaries and Benefits for costs related to a previously approved vehicle purchase.
DA - Criminal Division	$89,165	$0	$0	($89,165)	Increase estimated revenue for 2011 Realignment Growth funds received.
DA - Criminal Division	$310,062	$0	$0	($310,062)	Increase estimated revenue through a transfer in from the Consumer Fraud Prosecution Program to offset salaries and benefits of staff in the Consumer Fraud Unit.
DA - Criminal Division	$0	($141,911)	$0	($141,911)	Decrease appropriations in Salaries and Benefits to create a Net County Cost savings to offset increased County Match in the Real estate Fraud and Victim Comepsation and Government Claims Program.
DA - Elder Abuse Advocacy and Outreach	$52,953	$50,998	($1,955)	$0	Increase appropriations and estimated revenue in line with projected program costs and revenue to be received from the California Office of Emergency Services.
DA - Federal Asset Forfeiture	$0	($2,595)	($2,595)	$0	Decrease appropriations to match available revenue and fund balance for this program.
DA - Real Estate Fraud Prosecution	($8,714)	$123,243	$0	$131,957	Increase appropriations and decrease estimated revenue based on projections. Additional appropriations will fund salaries and benefits of the Real Estate Fraud Unit. Increased County Match is offset by a reduction in the criminal division to support full cost of this program.
DA - Unserved/ Underserved Victim Advocacy and Outreach	$0	$20,467	$20,467	$0	Increase appropriations funded by additional available fund balance for salaries and benefits of a victim advocate and to pay for training related expenses.
DA - Victim Compensation and Government Claims	$0	$10,000	$46	$9,954	Increase appropriations for salaries and benefits of a partial paralegal assigned to this program. This increases if funded by an increase in County Match and use of available fund balance.
Total	**$770,643**	**$387,379**	**$15,963**	**($399,227)**	

Recommendation: It is recommended to increase appropriations by $387,379 funded by an increase in estimated revenue of $770,643 and $15,963 in department fund balance, resulting in a reduced Net County Cost of $399,227.

Staffing Recommendation: It is recommended to conduct a classification study on one Account Clerk III position to determine if it is the correct classification for the tasks assigned.

Probation

Field Services - In August 2018, the Department identified a position to serve in an out of class role as a manager for the Community Assessment, Response, and Engagement (CARE) Multi-Disciplinary Team (MDT). This was intended to be a temporary arrangement contingent upon a final decision to continue the CARE program. The Department can no longer continue to re-direct an existing position to serve in this role. It is recommended to add one Manager IV - Safety position to serve as the CARE MDT manager. The position will facilitate the collective success of the CARE MDT and drive the planning and coordination of internal and external functions, including strategy, communications, community engagement, and data functions. The total annual cost of this position is $178,748 and is estimated to cost $52,135 for the remainder of this fiscal year, funded primarily by dedicated General Fund from the Focus on Prevention budget.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Probation-Field Services	$0	$52,135	$0	$52,135	Increase appropriations for one CARE Manager IV position for three months of costs.
Total	**$0**	**$52,135**	**$0**	**$52,135**	

Recommendation: It is recommended to increase appropriations by $52,135 funded by Net County Cost of $52,135.

Staffing Recommendation: It is recommended to add one new Manager IV - Safety position to facilitate the collective success of the Community Assessment, Response, and Engagement (CARE) Multi-Disciplinary Team (MDT).

A study was requested in the 2018-2019 Proposed Budget to review the current duties and responsibilities of a Stock/Delivery Clerk II position. Based on the results of the study, it is recommended to reclassify upward a Stock/Delivery Clerk II position to a block-budgeted Storekeeper I/II.

Public Defender

The Public Defender received additional 2011 realignment growth funds of $35,025 in October 2018. These funds were not budgeted in the Adopted Final Budget. This is the net impact of 2011 realignment growth funds from Fiscal Year 2017-2018. The additional revenue will reduce the Department's General Fund contribution but are not reflected as a budget adjustment at this time.

Sheriff's Office

Cal ID – The Department has experienced continued issues related to Cogent LiveScan, WebID and CAFIS applications which support LiveScan functions. When the system needs maintenance of any kind and has to be taken offline, there are delays due to insufficient Department IT personnel resources to support LiveScan and these negatively affect operations. It is recommended to add one block-budgeted Application Specialist I/II to support the LiveScan systems. The total annual cost of this position is $92,013 and is estimated to cost $23,003 for the remainder of this fiscal year, funded by CAL-ID fund balance. In Fiscal Year 2018-2019, there are significant one-time costs planned. The fund will have sufficient on-going revenue to support the new position in the future. Fund balance on July 1, 2018, was $689,405. The additional use of fund balance, along with $560,657 included for use in the legal budget, will leave an anticipated $105,745 in departmental fund balance at year end.

Court Security – This program received 2011 realignment revenue from state sales tax to fund the Court Security program. The Adopted Final Budget included estimated revenue from 2011 realignment of $5,316,624 but will only be receiving $5,283,476. A technical adjustment to reduce estimated revenue and appropriations of $33,148 is recommended to right size estimated revenue and appropriations for actual 2011 realignment funds which will be received. This reduction is primarily due to less realignment growth funds received in October 2018 than were anticipated.

Sheriff Federal Asset Forfeiture Justice and Treasury – The Guide to Equitable Sharing for State, Local and Tribal Law Enforcement agencies was revised by the Department of Justice in July 2018. The Department of Justice and the Department of the Treasury Asset Forfeiture Programs are, first and foremost, law enforcement programs. They remove the tools of crime from criminal organizations, deprive wrongdoers of the proceeds of their crimes, recover property that may be used to compensate victims, and deter crime. The Department reviewed the revisions in the Guide to Equitable Sharing with the Auditor-Controller's office and determined the need to place asset forfeiture funds in two new legal budget units as displayed in the table below. The cumulative beginning fund balance figure for both budgets is $649,795. On August 15, 2018, members of the Stanislaus Drug Enforcement Agency (SDEA) voted for all equitable sharing funds to be used to support needs of the SDEA. It is recommended to increase estimated revenue and appropriations by a combined $83,275 for operating expenses of the SDEA.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	**Description**
Sheriff - CAL ID Program	$0	$23,003	$23,003	$0	Increase appropriations funded with department fund balance for four months of salary costs of a Block Budgeted Application Specialist I/II position.
Sheriff - Court Security	($33,148)	($33,148)	$0	$0	Decrease appropriations and estimated revenue related to less 2011 Realignment Growth funds received than budgeted.
Sheriff - Federal Asset Forfeiture Justice	$69,975	$69,975	$0	$0	Increase appropriations and estimated revenue for supplies needed for Drug Enforcement Agency.
Sheriff - Federal Asset Forfeiture Treasury	$13,300	$13,300	$0	$0	Increase appropriations and estimated revenue for supplies needed for Drug Enforcement Agency.
Total	**$50,127**	**$73,130**	**$23,003**	**$0**	

Recommendation: It is recommended to increase appropriations by $73,130 funded by an increase in estimated revenue of $50,127 and $23,003 in Department fund balance.

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

Staffing Recommendation: It is recommended to add one new block-budgeted Application Specialist I/II position to provide the support necessary to deploy and maintain the personal WebID (BlueCheck) devices and report issues related to the Cogent LiveScan, WebID, and CAFIS applications.

It is recommended to conduct classification studies on three positions: one Legal Clerk III, one Director of Volunteer Services, and one Manager I.

It is also recommended to allow the Department to temporarily double-fill up to four Deputy Sheriff I/II positions until future vacancies occur in the Department. This allows flexibility to move newly hired lateral recruits into vacant Deputy Sheriff I/II positions. The Department is to use existing budget resources and the County will not provide additional funding for the double-fill. The recommendation to add this new flexibility would be through the end of the current two-year budget cycle on June 30, 2020. The Department is to submit a request to extend authority every two years depending on budget and staffing needs.

Supporting Community Health

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

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

Priority Overview

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

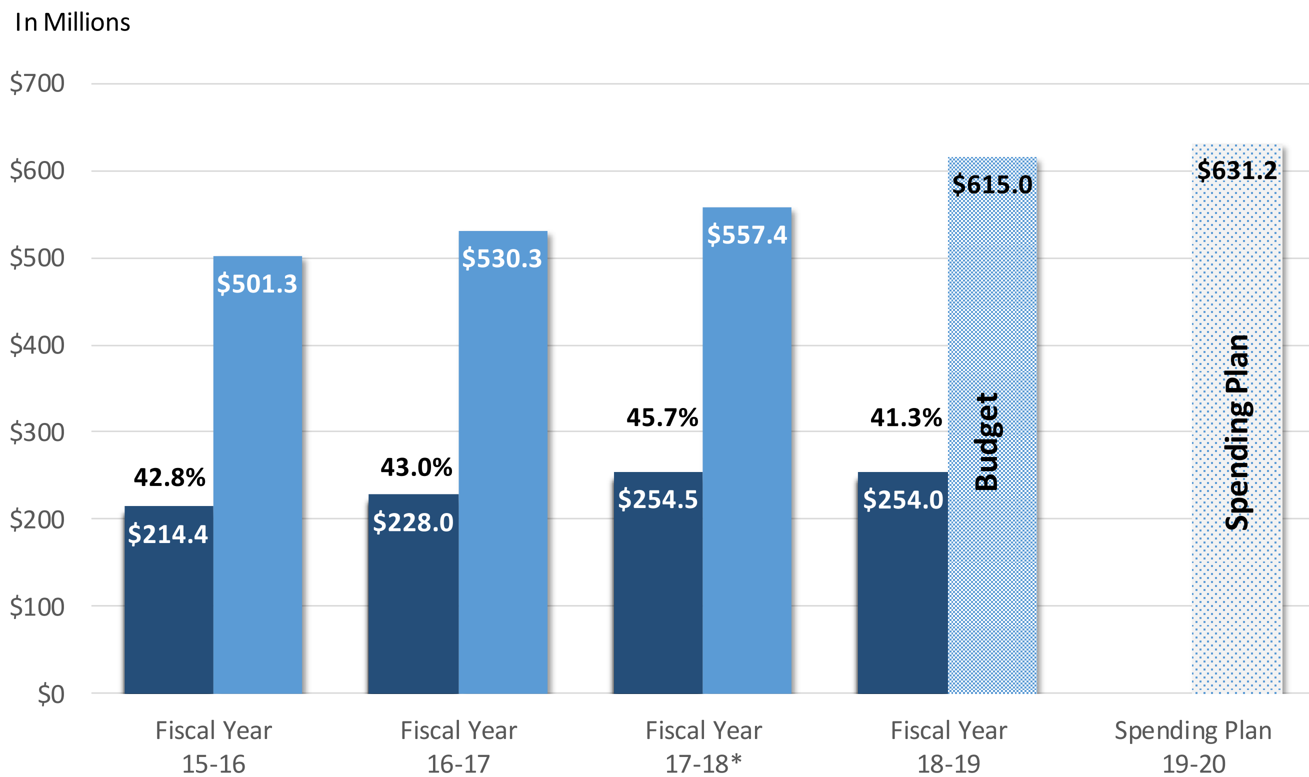
The departments assigned to this priority area include Aging and Veterans Services, Behavioral Health and Recovery Services, Chief Executive Office – Stanislaus Veterans Center, Child Support Services, Children and Families Commission, Community Services Agency, and Health Services Agency. The major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

Overall, the departments within the priority *Supporting Community Health* are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the departmental budgets that are part of the priority *Supporting Community Health*, actual revenue received as of December 31, 2108 totals $254 million, which represents 41.3% of the estimated annual revenue. This is below the range when compared to the mid-year point of the prior three years when collections ranged from 42.8% to 45.7% of the final actual revenue. Revenue is earned in the Health and Human Services programs through claiming of allowable expenditures. Revenue is trending lower during the first six months of the year primarily due to lower expenditures at midyear; consistency between the realized revenue and expenditures assures the budget will end the year in a balanced position. Revenue projections are anticipated to align with legal budget at years-end.

Supporting Community Health Four-Year Revenue Comparison



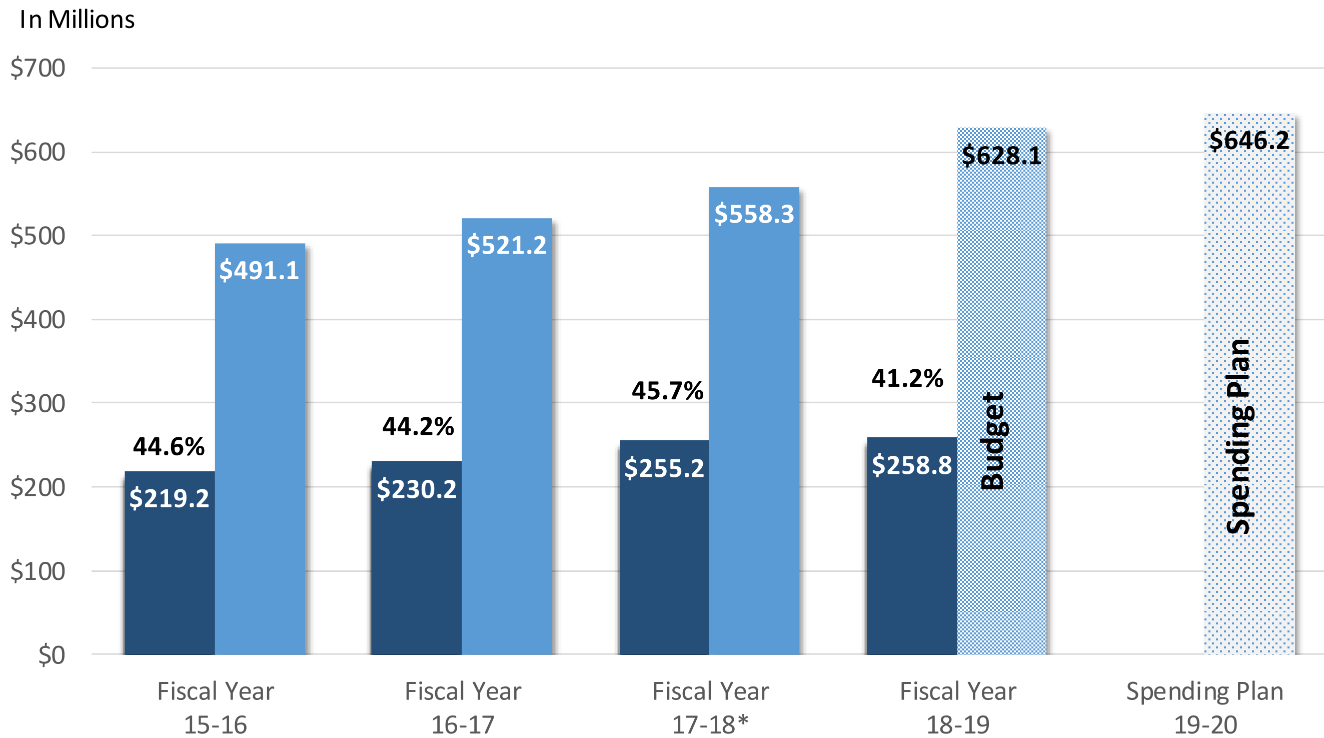
*The charts included in the 2018-2019 First Quarter Financial Report depicted the June Operating Budget for Fiscal Year 2017-2018; the Midyear charts have been updated using year-end actuals for a more consistent comparison between fiscal years.

Departmental Expenditures

As of December 31, 2019, expenditures in this priority area totaled $258.8 million, representing 41.2% of the budgeted appropriations. Actual expenditures identified at the Midyear point of the previous three years represented a range of 44.2% to 45.7% of the final annual expenditures, placing this year's rate of expenditures below the historical range from the previous three fiscal years.

This variance is primarily due to the timing of recognizing expenditures with anticipated project completion and service invoices to occur in the second six months of the year. Overall, expenditures are projected to be within the legal budget at year-end.

Supporting Community Health Four-Year Expenditures Comparison



*The charts included in the 2018-2019 First Quarter Financial Report depicted the June Operating Budget for Fiscal Year 2017-2018; the Midyear charts have been updated using year-end actuals for a more consistent comparison between fiscal years.

Midyear Issues and Recommendations

The recommendations contained in this report for Supporting Community Health will increase appropriations by $1.2 million, which includes $937 as a technical adjustment for increased health insurance rates. The budget adjustments are funded by estimated revenue of $503,491, an increase of $512,130 in the use of department fund balance, and $202,425 in General Fund Contribution.

Aging and Veterans Services

A total increase in revenue and appropriations of $609,905 is recommended to accommodate additional Federal and State funding for senior programs, including the Senior Meals Nutrition Program, Catholic Charities for the Ombudsman program, SNAP-Ed program, and the Family Caregiver Program. The revenue will cover the purchase of computer equipment, supplies, and administrative costs; the purchase of vehicles will require the move of funds from Services and Supplies to Fixed Assets in a subsequent Board of Supervisors' agenda item.

Budget Unit Name	Reccomended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Area Agency on Aging	$609,905	$609,905	$0	$0	Increased revenue and appropriations for Federal and State Senior program funding.
Total	**$609,905**	**$609,905**	**$0**	**$0**	

Reccomendation: It is recommended that revenue and appropriations be increased by $609,905.

Staffing Recommendation: It is recommended to reclassify one Confidential Assistant III upward to a Confidential Assistant IV position. The Department has a need for an executive level position to provide support to the Director of Aging and Veterans Services and to the Commission on Aging and Veterans Advisory Council. This position will also provide direct support of the human resources functions.

It is also recommended to conduct a classification study of one Manager I position in the Area Agency on Aging Division.

Behavioral Health and Recovery Services

A total increase in appropriations of $501,000, an increase in estimated revenue of $418,500, and an increase of $82,500 in the use of departmental fund balance is recommended for the Department.

Behavioral Health and Recovery Services – The Department has experienced a shift in placements of adults in mental health residential treatment facilities. Adults are no longer being placed at one of the programs offered at California Psychiatric Transitions (a contracted service provider in Managed Care) and are instead being redirected to other facilities offering the appropriate level of care supported by funding available in this primary budget unit. An appropriations increase of $800,000 funded by an equal increase in the use of departmental fund balance will accommodate this shift in treatment placements (an equal adjustment in reverse is recommended in Managed Care, noted below). As of July 1, 2018, Behavioral Health and Recovery Services had an available fund balance of $16.6 million. The use of $4.4 million included in the 2018-2019 Adopted Final Budget along with the increased use of $800,000 at Midyear will result in a year-end fund balance of $11.4 million.

Additionally, the Department has identified the budgetary needs associated with the Board of Supervisors' approval to receive one-time funding from the California Department of Health Care Services for the Homeless Mentally Ill Outreach and Treatment Program. Resolution number 2018-0460 was approved by the Board of Supervisors on September 18, 2018, noting that if the funding application for $770,000 was approved, appropriations and estimated revenue would be included in subsequent budget cycles. At Midyear, the Department has identified $420,000 in appropriations and estimated revenue for the program. The Department will use $380,000 towards transitional housing for women who are experiencing homelessness or are at risk of being homeless, including the provision of approximately $75,000 in funding to Stanislaus County Affordable Housing for renovations in exchange for exclusive use of a property on 5th Street for 20 to 30 years for this purpose, and $40,000 to purchase a vehicle to provide intensive outreach efforts for persons in hard to reach areas. The remaining $350,000 in grant funding will be identified in the Department's 2019-2020 Proposed Budget.

Managed Care – In connection with the previously mentioned shift in placements for adults in residential treatment facilities, the division will decrease appropriations and the use of departmental fund balance by $800,000 in Managed Care. Placements and costs will now be redirected to the Behavioral Health and Recovery Services budget.

Public Guardian – An increase of $81,000 in appropriations is recommended to support negotiated wage increases for AFSCME employees and management staff along with unanticipated overtime costs and Cost Allocation Plan charges. The Department is also recognizing a decrease of $1,500 in estimated revenue due to lower-than-anticipated reimbursement from Medi-Cal Administrative Activities (MAA). The $82,500 needed to cover both the increase to appropriations and reduction in estimated revenue will be funded by an increase in the use of departmental fund balance. As of July 1, 2018, Public Guardian had $615,550 in available fund balance. The use of $31,693 identified in the 2018-2019 Adopted Final Budget along with the increased use of $82,500 at Midyear will result in a year-end fund balance of $501,357.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Behavioral Health and Recovery Services	$0	$800,000	$800,000	$0	Increase appropriations to accommodate a redirection in placements of adults in mental health residential treatment facilities, funded by departmental fund balance (offset by equal reduction in Managed Care appropriations and use of fund balance).
Behavioral Health and Recovery Services	$420,000	$420,000	$0	$0	Increase appropriations and estimated revenue related to Board approved grant funding for the Homeless Mentally Ill Outreach and Treatment Program.
BHRS - Managed Care	$0	($800,000)	($800,000)	$0	Decrease appropriations and reduce the use of fund balance associated with the redirection of adults from Managed Care to facilities supported by Behavioral Health and Recovery Services (Mental Health) budget.
BHRS - Public Guardian	($1,500)	$81,000	$82,500	$0	Increase appropriations to cover increases due to negotiated labor costs and CAP charges and decrease estimated revenue for reduction in Medi-Cal administrative activities reimbursements; funded by an increase in the use of departmental fund balance.
Total	**$418,500**	**$501,000**	**$82,500**	**$0**	

Recommendation: It is recommended to increase revenue by $418,500 and increase appropriations by $501,000, funded by an increase of $82,500 in the use of departmental fund balance.

Staffing Recommendation: It is recommended to transfer out two positions from the Mental Health Services Act to Behavioral Health and Recovery Services, and one transfer out from Behavioral Health and Recovery Services to the Mental Health Services Act to better meet the needs of the programs.

Chief Executive Office – Stanislaus Veterans Center

On December 18, 2018 the Board of Supervisors authorized the Chief Executive Office to assume operation of the Stanislaus Veterans Center and to reduce the Veterans Foundation of Stanislaus County's annual rent commitment by $171,488, effective January 1. 2019. This will require an additional contribution from the General Fund.

In addition, an increase of $21,000 in appropriations is recommended for the installation of data cabling, furniture, and equipment, along with $9,000 for operating costs. These costs will require a contribution from the General Fund.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
CEO - Stanislaus Veterans Center	($171,488)	$0	$0	$171,488	Decrease rental revenue from the transfer of management of the Stanislaus Veterans Center from the Veterans Foundation of Stanislaus County, funded by General Fund Contribution to Other Programs.
CEO - Stanislaus Veterans Center	$0	$30,000	$0	$30,000	Increase appropriations for equipment installation and operating costs, funded by General Fund Contribution to Other Programs.
Total	**($171,488)**	**$30,000**	**$0**	**$201,488**	

Recommendation: It is recommended to increase appropriations by $30,000 and decrease estimated revenue by $171,488 in the CEO-Stanislaus Veterans Center budget, funded by $201,488 in Net County Cost.

Staffing Recommendation: There are no staffing recommendations.

Child Support Services

The Department of Child Support Services relies heavily on Information Technology (IT) solutions; must secure and safeguard sensitive and confidential data through strong privacy and data security practices; and must ensure that the Department can operate during, and recover from, a time of disruption. Infrastructure improvements and replacement of older equipment is necessary to ensure continuity of business. The Department is in need of replacing its firewall, storage, and server virtualization equipment which are at the end of life. To fund this time sensitive need, it is recommended to transfer $203,971 from Salaries and Benefits to Fixed Assets. Additionally, a technical adjustment is recommended reducing Salaries and Benefits by $278,877 to align operations with State allocation levels. This technical adjustment will reduce the reliance on departmental fund balance by the same amount.

The Department has forecasted an increase in interest revenue offset by reductions in Electronic Data Processing (EDP) Maintenance and Operation revenue, and State and Pathways to Self Sufficiency (PASS) grant revenue. It is recommended to decrease estimated revenue by $14,919 and decrease appropriations by $21,919 with a $7,000 technical adjustment to fund balance.

The recommended adjustments will eliminate the Department's use of fund balance to balance the Fiscal Year 2018-2019 budget. Inclusive of the recommended Midyear adjustments, the Department projects a year-end fund balance of $1.5 million. This amount represents the remaining balance of former funding available to support the Department's infrastructure improvement costs.

Budget Unit Name	Recommended Budget Adjustment: Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Child Support Services	($14,919)	($21,919)	($7,000)	$0	Increase in Interest Revenue offset by decreases in EDP State Revenue and PASS Grant Revenue with associated decrease in Salary and Benefits and technical adjustment to department fund balance.
Child Support Services	$0	$203,972	$203,972	$0	Transfer appropriations into Fixed Assets from Salaries and Benefits to replace aging IT equipment.
Child Support Services	$0	($203,972)	($203,972)	$0	Transfer appropriations from Salaries and Benefits into Fixed Assets to replace aging IT equipment.
Child Support Services	$0	($278,877)	($278,877)	$0	Decrease Salaries and Benefits and reduce reliance on department fund balance to align operations with State allocation levels.
Total	**($14,919)**	**($300,796)**	**($285,877)**	**$0**	

Recommendation: It is recommended to decrease appropriations by $300,796 and estimated revenue by $14,919 reducing the reliance on fund balance by $285,877. This technical adjustment offsets the Legal Budget use of fund balance of $285,877, leaving a net neutral impact to the fund.

Staffing Recommendation: There are no staffing recommendations.

Community Services Agency

The Department is projecting approximately $1 million in additional 1991 Realignment growth funding as a result of Accelerated Realignment, which is pending utilization. The Department has also identified an additional need of $377,000 for costs related to CSA – General Assistance, high needs youth placement costs.

CSA continues to be challenged by increased impact to the budget for General Assistance (GA) – High Needs Youth Foster Care cases. These increased costs are associated with the placement of youth who have intellectual disabilities (most common is autism) and significant behavior issues. While some youth qualify for regional services, foster care is responsible for the payment. Increased costs are primarily attributed to the implementation of Continuum of Care Reform (CCR) in FY 2016-2017 per Assembly Bill 403 which created new children's residential licensing categories. Monthly costs are trending higher due to the scarcity of local vendors due to the increased licensing requirements as well as the increased level of care.

It is recommended to increase appropriations by $377,000 in the CSA – General Assistance budget, funded by $377,000 in additional Mandated County Match and to increase estimated Accelerated Realignment revenue by $377,000 in the CSA – Program Services and Support budget with an offsetting reduction to Mandated County Match in Services and Support. The Department will return at Third Quarter, when more information is known about the projected total $1 million in 1991 Accelerated Realignment growth and to recognize the balance that is not being recognized at Midyear. This adjustment is made upon further information from the Governor's January 2019 Budget summary and consideration of the County's 1991 Realignment Policy.

The addition of two new positions will further support County-wide and Department homeless programs, both with existing housing programs and new programs as a function of the Homeless Emergency Aid Program (HEAP) funding. The annual ongoing salary and benefits cost of a Staff Services Analyst is $106,428 and will be funded with Federal/State/County revenues, with a County share of approximately 3% or $3,193. The annual ongoing salary and benefits cost of an Accountant III is $122,624 and will be funded with Federal/State/County revenues, with a County share of approximately 3% or $3,679. No additional General Funds are requested for the County's 3% share of these recommended positions.

Finally, the addition of one new Manager I/II position in the StanWORKs division to provide oversight of the CalFresh Transitional Nutrition and Supplemental Nutrition programs is recommended. This position is necessary to oversee the potential of up to 6,500 new applicants to the CalFresh program with the addition of SSI and SSP benefit recipients now eligible. AB 1811, effective June 1, 2019 mandated this service expansion. The annual ongoing salary and benefits cost of a Manager I/II is $142,328 and will be funded with Federal/State/County revenues, with a County share of approximately 9% or $12,800. The funding for this position is included within the current legal budget and does not require any additional General Fund.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
CSA - General Assistance	$0	$377,000	$0	$377,000	Increase appropriations in General Assistance for costs related to Foster Care High Needs Youth, funded by Mandeted County Match
CSA - Program Services and Support	$377,000	$0	$0	($377,000)	Increase estimated revenue to reflect 1990/1991 accelerated realignment funds which are part of the State Controller's Office base realignment funding, reducing the need for Mandated County Match.
Total	**$377,000**	**$377,000**	**$0**	**$0**	

Recommendation: It is recommended to increase appropriations and estimated revenue by $377,000.

Staffing Recommendation: It is recommended to add two new positions to support the Department's Homelessness and Housing Programs, including the Homeless Emergency Aid Program (HEAP) presented to the Board of Supervisors on December 11, 2018.

- Add one new Accountant III position to ensure that the mandates of the HEAP grant requirements are met, guidelines are met, and the processing of related accounting transactions are in accordance to government regulations. This position will also support other Department fiscal processes as necessary.
- Add one new Staff Services Analyst position to support the Department's Homelessness and Housing Programs, including the increased number of contracted services and Request for Proposals that the HEAP funding will generate.

It is recommended to add one new block-budgeted Manager I/II position to provide oversight of the CalFresh, Transitional Nutrition and Supplemental Nutrition programs. This position will take a lead role in the planning, management and implementation of regulatory changes to the CalFresh program, including the Transitional Nutrition Program and Supplemental Nutrition Program.

It is recommended to reclassify a total of six positions.

- Reclassify upward one vacant Family Services Specialist II to a Family Services Specialist IV to assist in the Quality Control/Hearings Unit.
- Reclassify upward four vacant Family Services Specialist II positions to Fraud Technician to address the growing number of fraud cases.
- Reclassify downward one Administrative Clerk II position to a block-budgeted Stock/Delivery Clerk I/II to right-size the position that is currently being underfilled.

Furthermore, it is recommended to block-budget four Accountant II positions to Accountant I/II to more appropriately align the duties in support of the Department's Accounting team and to allow the Department the ability to hire Accountants at a lower level and provide succession planning and advancement opportunities.

It is also recommended to block-budget one Stock/Delivery Clerk II position to Stock/Delivery Clerk I/II to align with the existing allocated positions.

Lastly, it is recommended to conduct a classification study on one Confidential Assistant II position in the Service and Support Unit.

Health Services Agency

Administration - The Department has identified additional revenue of $111,493 from services provided to other divisions to cover prior year appropriations carryover. Recognition of this revenue is recommended to cover these costs, reducing reliance on departmental fund balance. On July 1, 2018, the Administration had a fund balance of $92,959; the increase in estimated revenue will ensure the same balance at year end.

Public Health – It is recommended that the Department decrease revenue by $827,000 primarily due to a reduction in Federal and State grant funding. Certain services provided did not receive adequate revenue to cover their operational and overhead costs. These costs will instead rely on the increased use of $827,000 in departmental fund balance. As of July 1, 2018, Public Health had a fund balance of $12,495,163. Inclusive of the $827,000 at midyear and $229,215 in budgeted use of fund balance, Public Health anticipates a year-end fund balance of $11,438,948.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	**Description**
HSA - Administration	$111,493	$0	($111,493)	$0	Increase revenue to reflect additional funding from other divisions within the Department, reducing reliance on the use of fund balance.
HSA - Public Health	($827,000)	$0	$827,000	$0	Decrease revenue due to reduction in Federal and State grant funding, relying on an additional use of fund balance.
Total	**($715,507)**	**$0**	**$715,507**	**$0**	

Recommendation: It is recommended to decrease estimated revenue by $715,507, funded by $715,507 in the increased use of departmental fund balance.

Staffing Recommendation: It is recommended to reclassify upward four Social Worker IV positions to block-budgeted Social Worker IV/V to align with the current classification structure design at the Community Services Agency.

Developing a Healthy Economy

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

Developing a healthy economy, building upon our strong agricultural foundation

Priority Overview

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

The Board of Supervisors' priority area of *Developing a Healthy Economy*, building upon our strong agricultural foundation recognizes the vital role of the County's number one industry, agriculture, that generates over $3.6 billion per year for County residents. Farmland conversion, air pollution, soil salinity and drainage, agricultural water supply and water quality, and preservation of the County's unique agriculture heritage are key aspects of Developing a Healthy Economy.

The major funding source for these County budgets includes contributions from the General Fund. The Agricultural Commissioner receives State funding for several programs as well as charges for specific services. Cooperative Extension's University of California advisors are funded through the University of California system while the County provides administrative staff and infrastructure and operational support.

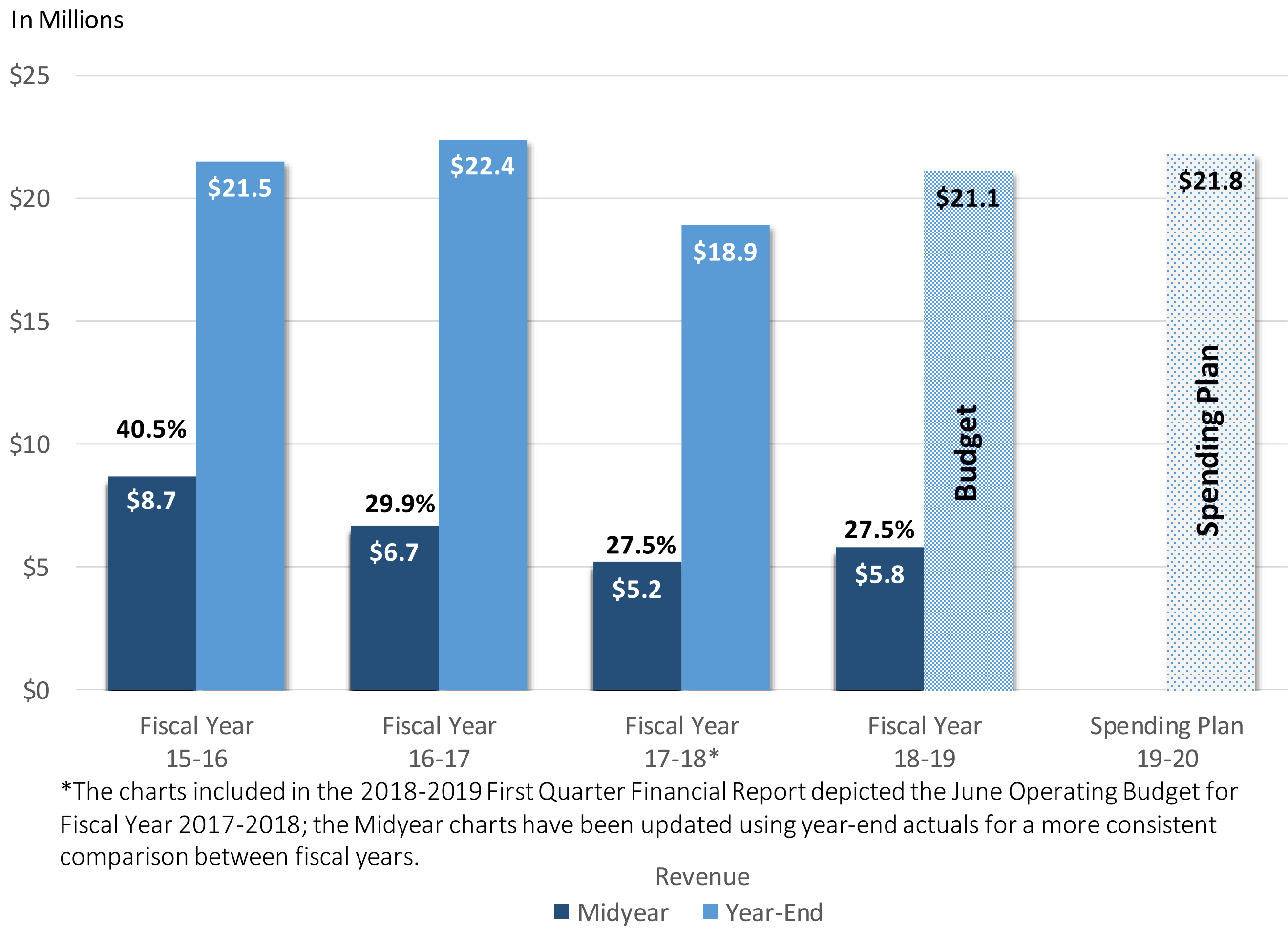
The Workforce Development's major funding source is Federal funds (Workforce Innovation and Opportunity Act).

Overall, the departments within the priority *Developing a Healthy Economy* are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the departmental budgets that are part of the Board of Supervisors' priority area of *Developing a Healthy Economy* as of December 31, 2018, actual revenue collected is $5.8 million, which represents 27.5% of the estimated annual revenue. This is within the range when compared to the midyear point of the prior three years when collections were 27.5% to 40.5% of the final actual revenue.

Developing a Healthy Economy Four-Year Revenue Comparison

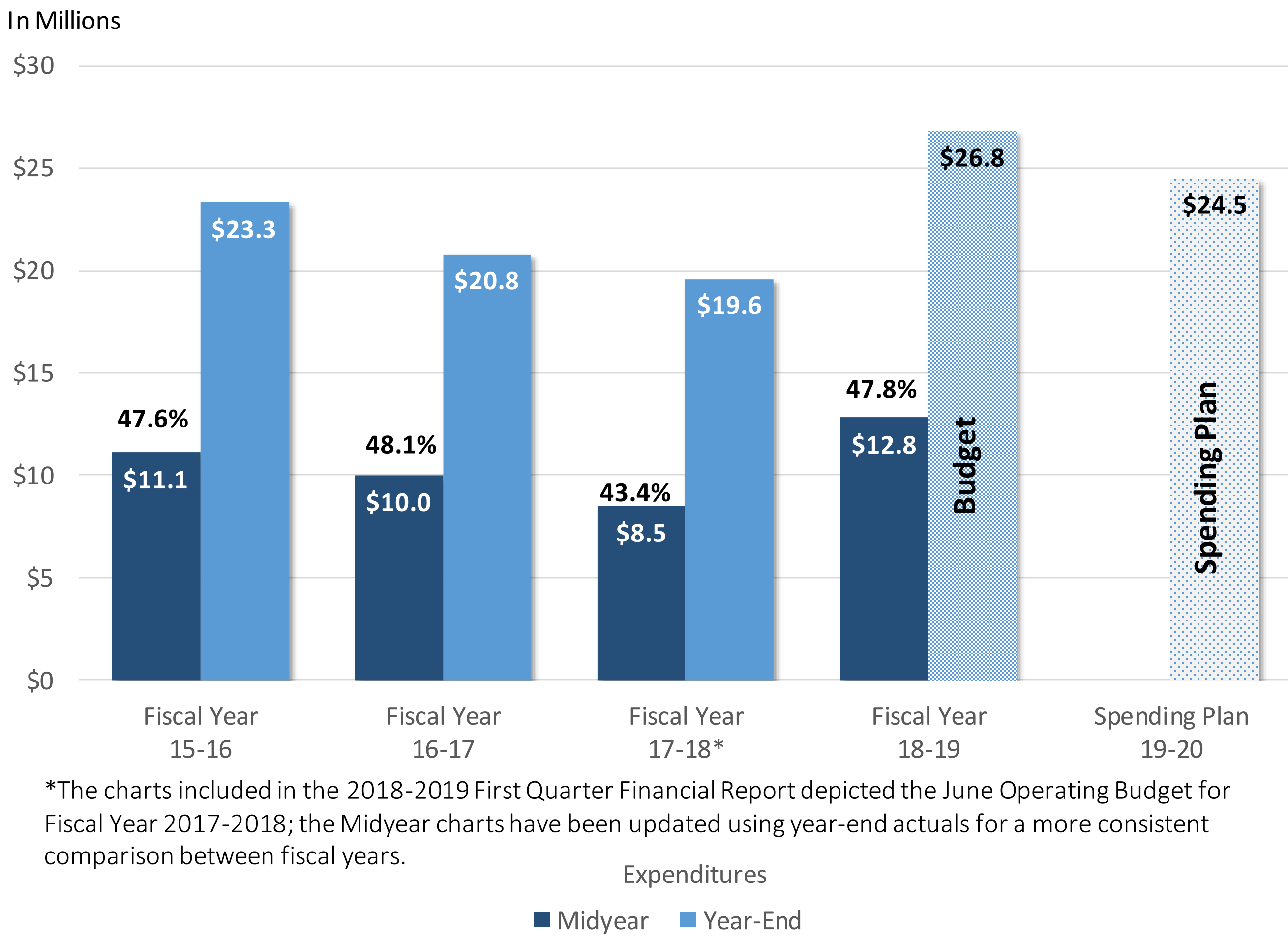


*The charts included in the 2018-2019 First Quarter Financial Report depicted the June Operating Budget for Fiscal Year 2017-2018; the Midyear charts have been updated using year-end actuals for a more consistent comparison between fiscal years.

Departmental Expenditures

As of December 31, 2018, expenditures are $12.8 million, representing 47.8% of the budgeted appropriations. This is within the range when compared to the Mid-Year point of the prior three years when expenditures were 43.4% to 48.1% of the final actual expenditures.

Developing a Healthy Economy Four-Year Expenditures Comparison



*The charts included in the 2018-2019 First Quarter Financial Report depicted the June Operating Budget for Fiscal Year 2017-2018; the Midyear charts have been updated using year-end actuals for a more consistent comparison between fiscal years.

Midyear Issues and Recommendations

The recommendations contained in this report for the priority of Developing a Healthy Economy will increase appropriations by $640,446, which includes $13,282 as a technical adjustment for increased health insurance rates. The budget adjustments are funded by estimated revenue of $629,653, and $10,793 in General Fund Contribution.

Agricultural Commissioner

The November 2018 California Election contained a ballot measure, Proposition 6, that would repeal an existing gasoline tax known as the 2017 Road Repair and Accountability Act. California voters rejected Proposition 6 and the increased gasoline tax remained in place. With the increased gasoline tax in place, there is an increase in Unrefunded (Unclaimed) Gasoline Tax at the state level used for off-highway agricultural purposes, a portion of which is transferred to the California Department of Food and Agriculture (CDFA) fund and is then allocated to County Agricultural Commissioners to support a variety of programs and activities.

It is recommended to increase estimated revenue and appropriations by $74,148. This increase will fund one-time costs for an updated Stanislaus County Agricultural Impact Report, which will provide an update from the last agricultural impact report completed in 1982. This will also fund an office ergonomic redesign, operation expense adjustments and three months of costs for a new Agricultural/Weights and Measures Inspector III to support new and expanded programs.

With the additional Unclaimed Gas Tax Revenue, the Department can leverage additional funds from the California Department of Food and Agriculture (CDFA) for a variety of programs. CDFA has enhanced the Pest Exclusion High-Risk Program by adding over 600 inspection hours to the existing County contract to inspect high-risk operations including Fed Ex, UPS, and nurseries. This resulted in increased contract revenue of $42,673 for a total contract of $50,583 of which $37,757 will be used in Fiscal Year 2018-2019. CDFA also provided $36,391 in contract revenue for a new Bee Safe Program aimed at protecting honey bee health and preventing apiary theft. To accommodate the additional workload from these two programs the Department is requesting a new Agricultural/Weights and Measures Inspector III position. The total annual cost of this position is $76,200 and is estimated to cost $19,050 for the remainder of Fiscal Year 2018-2019, funded by contract revenue from CDFA. Ongoing costs for this position will be funded by CDFA Contract revenue for these programs.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Agricultural Commissioner	$19,050	$19,050	$0	$0	Increase estimated revenue and appropriations to fund a new Agricultural Inspector to support the expanded Pest Exclusion High Risk and new Bee Safe Programs.
Agricultural Commissioner	$20,000	$20,000	$0	$0	Increase in estimated revenue and appropriations to fund an updated Stanislaus County Agricultural Impact Report.
Agricultural Commissioner	$27,000	$27,000	$0	$0	Increase estimated revenue and appropriations to fund an Office Ergonomic Redesign.
Agricultural Commissioner	$8,098	$8,098	$0	$0	Increase in estimated revenue and appropriations to fund Operating Expense Adjustments.
Total	**$74,148**	**$74,148**	**$0**	**$0**	

Summary of Recommendations: It is recommended to increase estimated revenue and appropriations by $74,148 for the Agricultural Commissioner funded by an increase in Unclaimed Gas Tax revenue.

Staffing Recommendation: It is recommended to add one new Agricultural / Weights and Measures Inspector III position to address the increased workload from the expanded High-Risk program and the new Bee Safe program with the California Department of Food and Agriculture.

University of California Cooperative Extension

It is recommended to increase revenue by $2,489 due to unanticipated revenue from almond sales at the Ag Center test farm, the reimbursement for mileage from San Joaquin and Merced Counties where several advisors have cross-county assignments, and a Staples rebate resulting in a decrease in use of Net County Cost.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Cooperative Extension	$2,489	$0	$0	($2,489)	Increase in estimated revenue due to unanticipated almond sales, mileage reimbursements, and refunds.
Total	**$2,489**	**$0**	**$0**	**($2,489)**	

Summary of Recommendations: It is recommended to increase estimated revenue by $2,489.

Staffing Recommendation: There are no staffing recommendations.

Workforce Development

It is recommended to decrease estimated revenue and appropriations by $500,000 due to the StanWORKs contract reduction. There is no impact to staffing associated with the contract reduction. It is also recommended to transfer $20,000 of appropriations from Services and Supplies to Fixed Assets to fund servers and other IT equipment to support StanWORKs programs

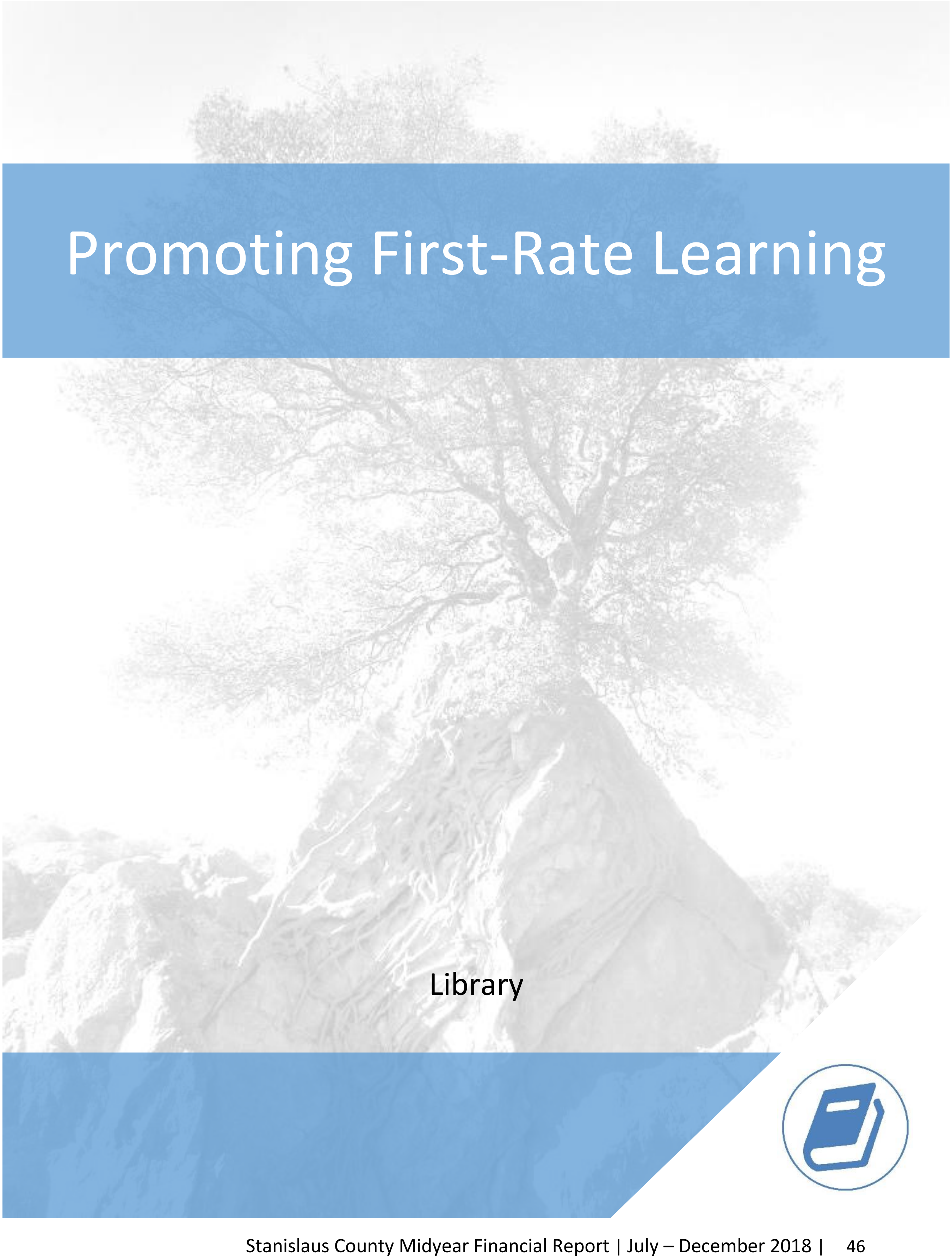
It is recommended to increase estimated revenue and appropriations by $1 million due to higher than anticipated Workforce Innovation Opportunity Act (WIOA) allocations and Fiscal Year 2017-2018 rollover funds to fund participant salaries and training, staff salaries and contract expenditures. It is also recommended to increase estimated revenue and appropriations by $20,000 to purchase servers and IT equipment to support WIOA programs funded by an increase in WIOA revenue.

Budget Unit Name	Recommended Budget Adjustment: Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
WD - StanWORKs	($500,000)	($500,000)	$0	$0	Decrease in estimated revenue and appropriations by $500,000 due to StanWORKs contract reduction.
WD - StanWORKs	$0	$20,000	$0	$20,000	Transfer appropriations to Fixed Assets from Services and Supplies for servers and other IT equipment to support StanWORKs programs.
WD - StanWORKs	$0	($20,000)	$0	($20,000)	Transfer appropriations from Services and Supplies to Fixed Assets for servers and other IT equipment to support StanWORKs programs.
Workforce Development	$1,033,016	$1,033,016	$0	$0	Increase in estimated revenue and appropriations due to WIOA allocations and rollover funds coming in higher than estimated and increase in appropriations to fund participant salaries and training, staff salaries and contract expenditures.
Workforce Development	$20,000	$20,000	$0	$0	Increase in estimated revenue and appropriations to purchase servers and IT equipment to support WIOA programs.
Total	**$553,016**	**$553,016**	**$0**	**$0**	

Summary of Recommendations: It is recommended to increase estimated revenue and appropriations by $553,016 funded primarily by WIOA revenue due to additional allocations and rollover funding.

Staffing Recommendation: There are no staffing recommendations.

Promoting First-Rate Learning



Library

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

Priority Overview

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

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

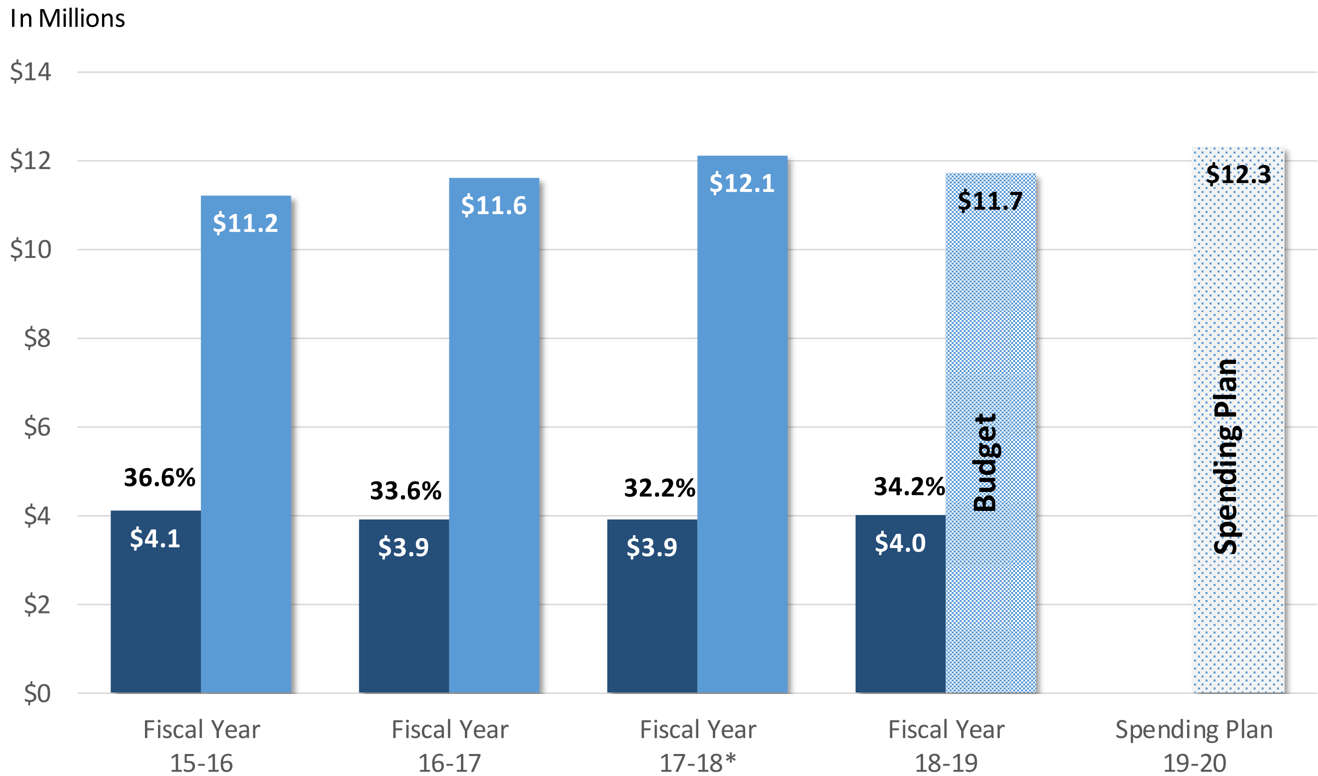
The Library is primarily funded by a voter approved 1/8- cent sales tax, which represents approximately 91% of the Library's total estimated revenue to support the Library operations in Fiscal Year 2018-2019. The voter approved 1/8-cent sales tax was extended for 12 years when Measure S passed in the November 7, 2017 election.

The Library is on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For the departmental budget that is part of the Board of Supervisors' priority area of *Promoting First-Rate Learning* as of December 31, 2018, actual revenue collected is $4 million, which represents 34.2% of the estimated annual revenue. This is within the range when compared to the mid-year point of the prior three years when collections were 32.2% to 36.6% of the final actual revenue.

Promoting First-Rate Learning Four-Year Revenue Comparison

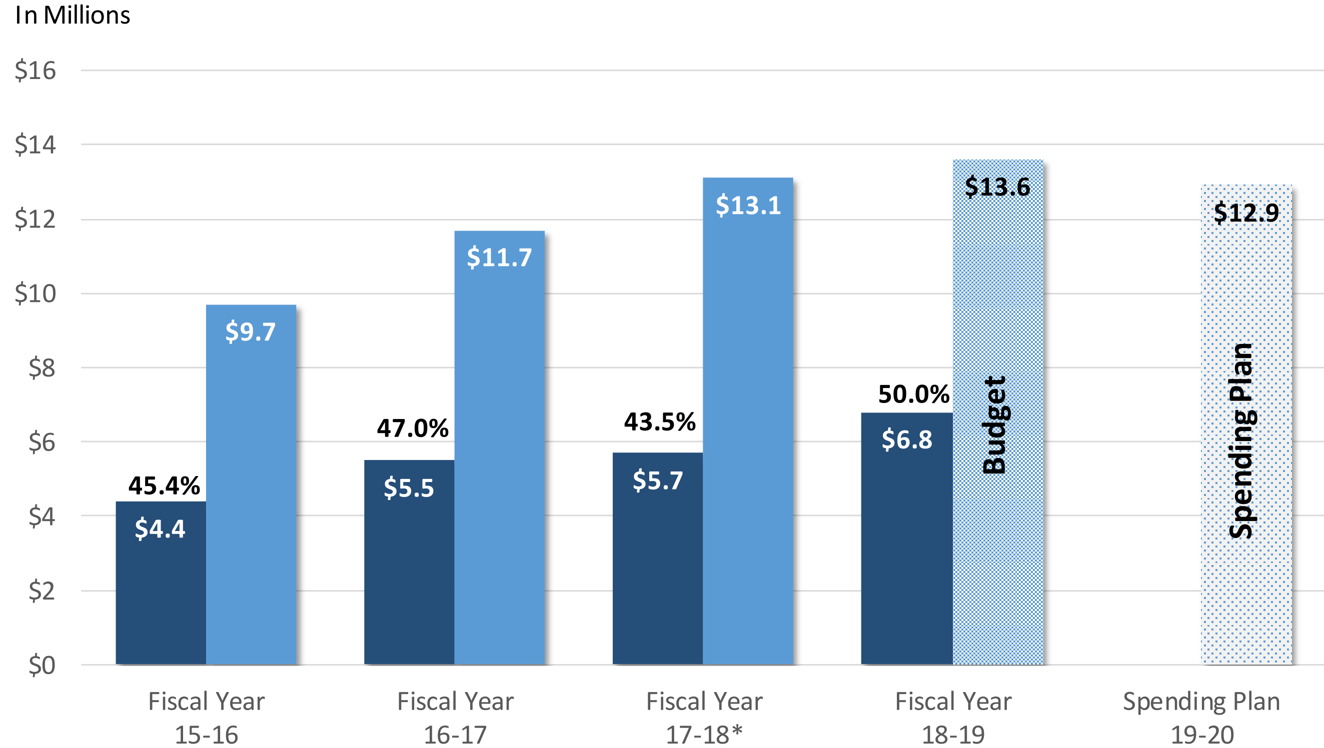


*The charts included in the 2018-2019 First Quarter Financial Report depicted the June Operating Budget for Fiscal Year 2017-2018; the Midyear charts have been updated using year-end actuals for a more consistent comparison between fiscal years.

Departmental Expenditures

As of December 31, 2018, expenditures total $6.8 million, representing 50% of the budgeted appropriations. Expenditures at the mid-year point of the prior three years ranged from 43.5% to 47% of the final actual expenditures, placing this year slightly above the range. This is primarily the result of increased costs associated with utility costs and $918,223 for the Turlock Library renovation project.

Promoting First-Rate Learning Four-Year Expenditures Comparison



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Midyear Issues and Recommendations

The recommendations contained in this report for the priority of Promoting First-Rate Learning will increase appropriations by $24,933, along with a decrease in estimated revenue of $141,000, funded by an increase in the use of Department fund balance of $165,933.

Library

It is recommended to increase appropriations by $24,933 to encumber unexpended Fiscal Year 2017-2018 State Library funding for the Learning Quest program in Fiscal Year 2018-2019 allowing current year purchases to support the Learning Quest Program.

It is recommended to transfer $65,000 in appropriations from Fixed Assets to Services and Supplies to fund new collection materials and leases for the Denair and Hughson Library. The $65,000 in appropriations will be transferred from the Modesto Centralized Desk Remodel project due to the remodel costs being funded in the Deferred Maintenance budget.

It is recommended to decrease estimated intergovernmental revenue by $141,000 due to an E-Rate program funding method change for internet services provided by Comcast. Rather than receive a direct reimbursement through the Billed Entity Application Reimbursement (BEAR) method, the Library will receive $141,000 in credits for internet, Wide Area Network, and voice services through the Service Provider Invoicing program as required by the California Public Utilities Commission for California Teleconnect Fund customers.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Library	$0	$24,933	$24,933	$0	Increase in appropriations to encumber unexpended Fiscal Year 2017-2018 State Library funding for Learning Quest in Fiscal Year 2018-2019.
Library	$0	($65,000)	($65,000)	$0	Transfer appropriations from Fixed Assets to Services and Supplies to cover costs associated with new collection materials and leases for the Denair and Hughson Library
Library	$0	$65,000	$65,000	$0	Transfer appropriations to Services and Supplies from Fixed Assets to cover costs associated with new collection materials and leases for the Denair and Hughson Library
Library	($141,000)	$0	$141,000	$0	Decrease in estimated intergovernmental revenue to account for E-Rate program funding method change
Total	**($141,000)**	**$24,933**	**$165,933**	**$0**	

Summary of Recommendations: It is recommended to decrease estimated revenue by $141,000 and increase appropriations by $24,933 funded by an increase in the use of Department fund balance of $165,933. Inclusive of these recommendations, fund balance is projected to be $9.5 million at year-end.

Staffing Recommendation: There are no staffing recommendations.

Delivering Efficient Public Services

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

Delivering efficient public services to benefit our residents and businesses

Priority Overview

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

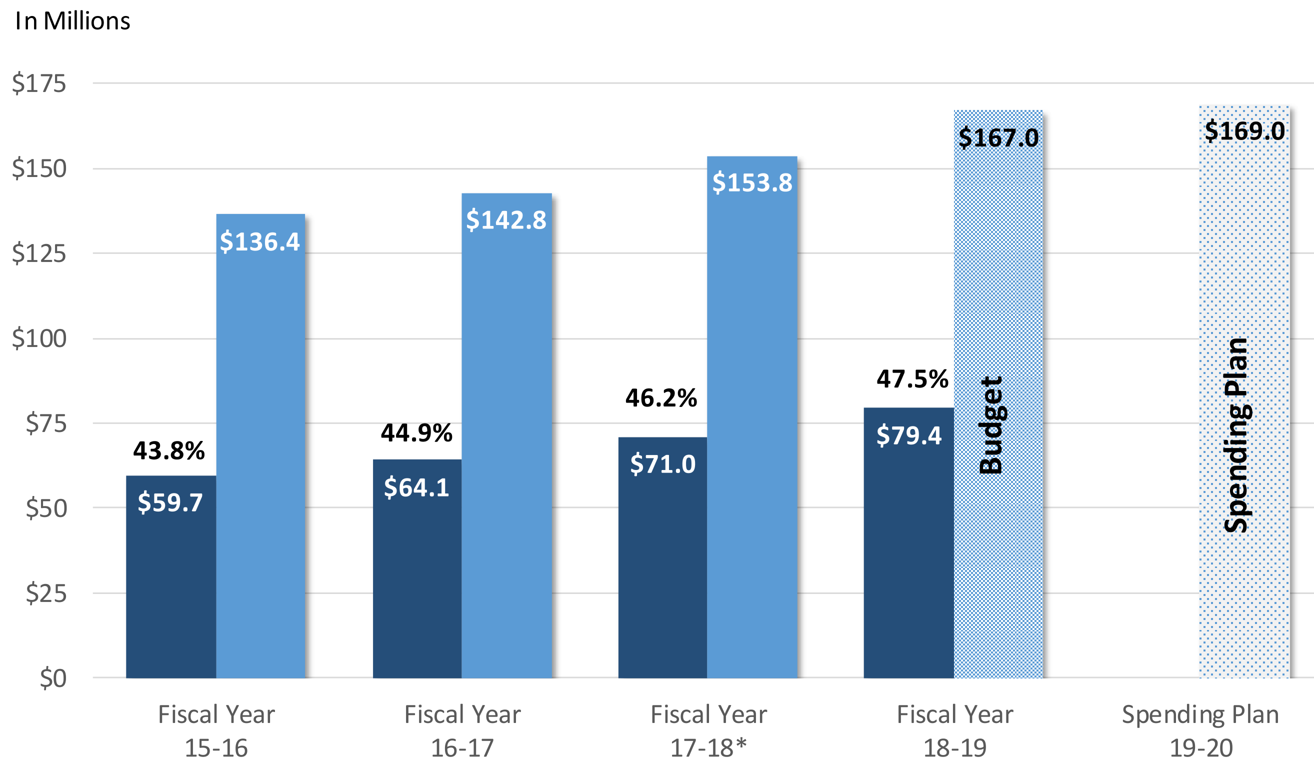
Departments assigned to the Board of Supervisors' priority area of *Delivering Efficient Public Services* include the Assessor, Auditor-Controller, Chief Executive Office, Clerk-Recorder/Elections, County Counsel, General Services Agency, Strategic Business Technology, and Treasurer-Tax Collector. The revenue used to pay for the majority of these services comes from local taxes such as property tax, sales tax, various fees, franchises, charges for services, and a variety of other discretionary funding sources.

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

Departmental Revenue

For the departmental budgets that make up the Board of Supervisors' *Delivering Efficient Public Services* priority area, the actual revenue collected as of December 31, 2018, totaled $79.4 million. This represents 47.5% of the estimated annual revenue and is slightly above the range compared to the Midyear point of the prior three years when collections ranged from 43.8% to 46.2% of the final actual revenue. The net increases can primarily be attributed to increased revenue received in CEO-Crows Landing Air Facility associated with development of the Crows Landing Industrial Business Park; in Strategic Business Technology related to modification of the Cost Allocation Plan process to more accurately reflect revenue received from departments for services provided; and in CEO-County Match-Vehicle License Fees which have steadily increased over the past few years.

Delivering Efficient Public Services Four-Year Revenue Comparison



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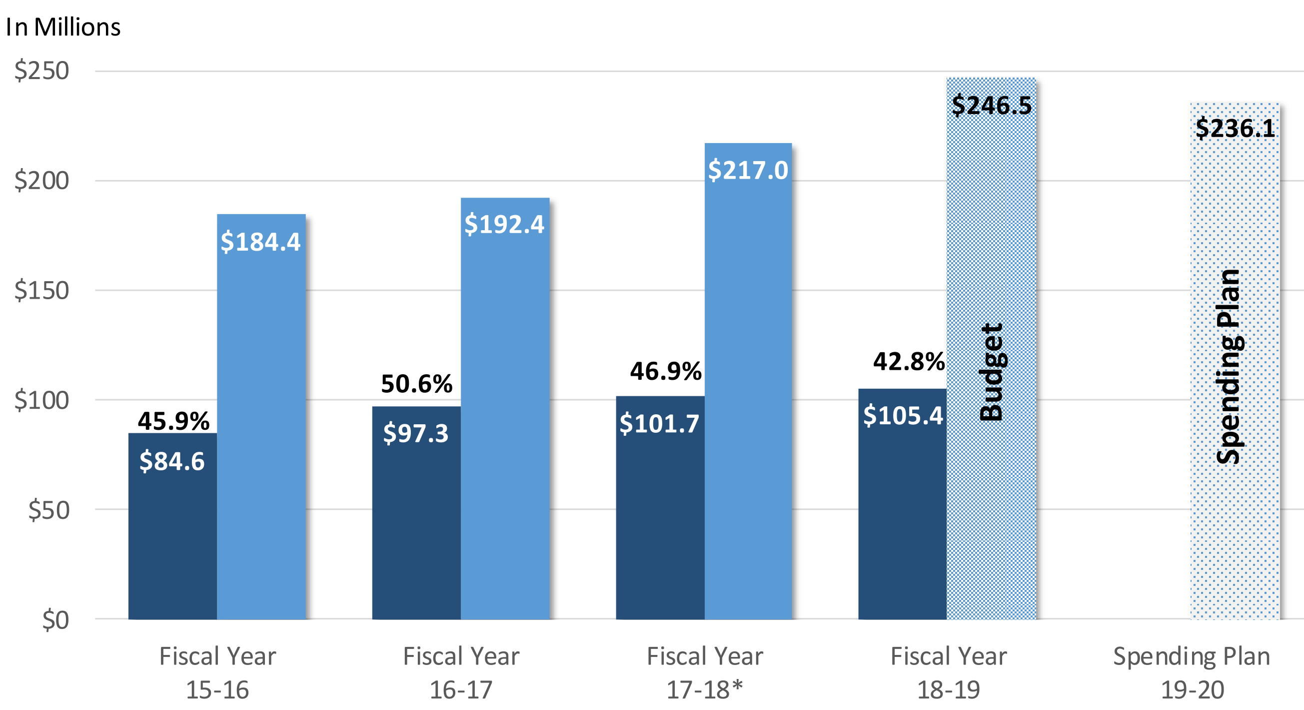
Departmental Expenditures

As of December 31, 2018, expenditures in this Board priority area totaled $105.4 million, representing 42.8% of the appropriations budgeted for the year. Expenditures at the Midyear point of the previous three fiscal years ranged from 45.9% to 50.6% of the final actual expenditures, placing this year below the range.

Both actual expenditures and budgeted appropriations have experienced increases, however, the increase in budgeted appropriations outpaced the increase in actual expenditures resulting in a lower percent of budget when compared to the previous three years. Significant contributors include projects within the Chief Executive Office-Plant Acquisition, Chief Executive Office-County Facilities, CEO-Crows Landing Air Facility, and CEO-ADA Self-Evaluation and Transition Plan Project that are still in the planning phase and have not expended budgeted funds.

In addition, there are increased costs associated with fully funding staffing for General Fund departments in Fiscal Year 2018-2019 compared to 2017-2018 which only provided approximately 95% funding for staffing due to the historic 8% vacancy rate. This strategy is intended to support departments in confidently staffing their allocated positions, and when necessary using extra help and/or overtime to maintain service levels.

Delivering Efficient Public Services Four-Year Expenditures Comparison



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Midyear Issues and Recommendations

The recommendations contained in this report for Delivering Efficient Public Services include increased appropriations of $796,762 including technical adjustments of $93,340 for increased health insurance costs. The budget adjustments are offset by a $3.2 million increase in Discretionary Revenue, $1.3 million in transfers from Appropriations for Contingencies, $1.5 million in department revenue and the use of Department fund balance in the amount of $679,053. These adjustments combine to produce a savings in Net County Cost of $5.9 million.

Chief Executive Office – County Operations

A net decrease of $2.7 million in appropriations, an increase of $232,096 in estimated revenue, and a decrease of $3 million in the reliance on Net County Cost are recommended for CEO – County Operations.

Appropriations for Contingencies - This budget serves as the contingency fund for the County and provides funds to meet unexpected and emergency financial exposures which may arise during the fiscal year. The transfer of funds from Appropriations for Contingencies to departmental operating budgets requires a four-fifths vote by the Board of Supervisors. The 2018-2019 Adopted Final Budget included a total of $7,915,499 in appropriations for use during the fiscal year for contingencies related to General Fund cash-outs, health insurance increases, labor negotiations exposure, and other miscellaneous unforeseen program or community needs.

Through the first quarter of Fiscal Year 2018-2019, a total of $475,250 in transfers have been approved to cover a variety of departmental needs, leaving $7,440,249 in remaining Appropriations for Contingencies. A total of approximately $1.3 million in transfers are recommended at midyear, including: $498,170 to various General Fund departments as a technical ajdustment for increased health insurance rates; $201,488 to General Fund Contribution to Other Programs for CEO – Stanislaus Veterans Center; $65,666 to General Fund Contribution to Other Programs for North McHenry sales tax sharing; $377,000 to Mandated County Match for Community Services Agency – General Assistance; $94,278 to Clerk-Recorder – Elections for increased elections costs; and $101,468 to County Counsel, with $97,469 provided to cover termination cash-outs and $3,999 for the Net County Cost portion of one new Deputy County Counsel V.

If all midyear transfers are approved, and taking into account a transfer approved in January of 2019 to support the Board of Supervisors in the amount of $48,750, $6,053,429 will remain in CEO - Appropriations for Contingencies for use throughout the balance of Fiscal Year 2018-2019.

County Facilities – In October 2018, the Board of Supervisors approved the purchase of approximately 29,000 square feet of retail space on the first floor of 10th Street Place. An increase in appropriations and estimated revenue of $232,096 is recommended, equivalent to the estimated rent to cover operating costs of the new space.

Focus on Prevention – A decrease in appropriations of $52,135 is recommended to generate Net County Cost savings which will be rededicated to support a Manager IV position in Probation devoted to the Community Assessment, Response and Engagement (CARE) program.

General Fund Contribution to Other Programs – A net decrease in appropriations of approximately $1.6 million is recommended for contributions to other programs and departments. A decrease of $2 million is due to the provision of State funding directly to a local non-profit organization rather than functioning as pass-through funding as anticipated at the beginning of the fiscal year. An increase of $201,488 would increase the contribution to CEO – Stanislaus Veterans Center to cover operational costs and reduced lease revenue. A one-time increase of $131,957 to increase the contribution to District Attorney – Real Estate Fraud Prosecution budget will cover increased costs and a revenue shortfall, offset by an equal reduction in Net County Cost provided to the District

Attorney – Criminal Division to help align budgets with department operations. An increased contribution of $65,666 is required cover the tax sharing agreement. An increase of $9,954 would increase the contribution provided to Disctrict Attorney – Victim Compensation and Government Claims budget to cover updated salary cost projections, offset by an equal reduction in Net County Cost provided to the District Attorney – Criminal Division.

Mandated County Match – A decrease of $377,000 in appropriations is recommended to reduce the reliance on the General Fund in Community Services Agency – Program Services and Support budget based on equal 1991 Realignment revenue recognized at midyear. This savings to the General Fund provides support for the increase in appropriations of $377,000 recommended to provide one-time additional County match funding to Community Services Agency – General Assistance for increased costs associated with Foster Care High Needs Youth.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
CEO - Appropriations for Contingencies	$0	($498,170)	$0	($498,170)	Transfer to General Fund departments for health insurance technical adjustment.
CEO - Appropriations for Contingencies	$0	($267,154)	$0	($267,154)	Transfer to General Fund Contribution to Other Programs for North McHenry sales tax sharing and CEO - Stanislaus Veterans Center.
CEO - Appropriations for Contingencies	$0	($377,000)	$0	($377,000)	Transfer to Mandated County Match for Community Services Agency.
CEO - Appropriations for Contingencies	$0	($94,278)	$0	($94,278)	Transfer to Clerk-Recorder - Elections for increased elections costs.
CEO - Appropriations for Contingencies	$0	($101,468)	$0	($101,468)	Transfer to County Counsel for termination cash-outs and new Deputy County Counsel V position.
CEO - County Facilities	$232,096	$232,096	$0	$0	Increase appropriations and revenue for operating costs of 1st floor retail space.
CEO - Focus on Prevention	$0	($52,135)	$0	($52,135)	Decrease appropriations to support one Manager IV CARE position in Probation; Net County Cost savings will benefit Probation.
CEO - General Fund Contribution to Other Programs	$0	($2,000,000)	$0	($2,000,000)	Decrease appropriations to remove pass-through State funding that was provided directly to the local non-profit.
CEO - General Fund Contribution to Other Programs	$0	$201,488	$0	$201,488	Increase appropriations for CEO - Stanislaus Veterans Center for operational costs and reduced lease revenue, funded by Net County Cost.
CEO - General Fund Contribution to Other Programs	$0	$131,957	$0	$131,957	Increase appropriations for District Attorney - Real Estate Fraud Prosecution, offset by an equal reduction in Net County Cost in District Attorney - Criminal Division.
CEO - General Fund Contribution to Other Programs	$0	$65,666	$0	$65,666	Increase appropriations for North McHenry sales tax sharing contribution, funded by General Fund contribution.
CEO - General Fund Contribution to Other Programs	$0	$9,954	$0	$9,954	Increase appropriations for District Attorney - Victim Compensation and Government Claims, offset by an equal reduction in General Fund contribution in District Attorney - Criminal Division.
CEO - Mandated County Match	$0	($377,000)	$0	($377,000)	Decrease appropriations for Community Services Agency (CSA) - Program Services and Support due to equal recognition of 1991 Realignment revenue in CSA budget.
CEO - Mandated County Match	$0	$377,000	$0	$377,000	Increase appropriations for Community Services Agency - General Assistance for Foster Care high Needs Youth, funded by Net County Cost.
Total	**$232,096**	**($2,749,044)**	**$0**	**($2,981,140)**	

Recommendation: It is recommended to increase revenue by $232,096 and decrease appropriations by $2,749,044, resulting in a positive impact to Net County Cost of $2,981,140.

Staffing Recommendation: There are no staffing recommendations.

Chief Executive Office – Risk Management Division

In total, an increase of $728,793 in appropriations, an increase of $49,740 in estimated revenue, and an increased use of $679,053 in departmental retained earnings is recommended for the Department.

General Liability Self-Insurance – Defense attorney fees and loss expenses are projected to increase significantly the second half of the fiscal year due to the addition of seven new cases and additional settlements expected to occur prior to June 30, 2019. General Liability loss and defense attorney fee projections are based on bi-annual reviews with the contracted attorneys of their current County claims and lawsuit caseloads. An increase in appropriations of $658,625 is partially offset by an increase in estimated revenue of $28,625 to cover these additional costs, with the remainder funded by the use of an additional $630,000 in departmental retained earnings. On July 1, 2018, the retained earnings balance was $963,320. The use of $630,000 in retained earnings projected at midyear, along with $13,785 included in the Operating Budget, will result in an anticipated year-end retained earnings balance of $319,535.

Other Employee Benefits – An increase of $15,395 in estimated revenue has been identified through updated projections, including interest earnings received in the first quarter of the fiscal year, annualization of Deferred Compensation fees received, and the 2017 Flexible Spending Account closeout. An increase of $42,628 in appropriations will cover the cost of a contracted consultant to conduct a Request for Proposal (RFP) for Deferred Compensation services and will absorb the transfer of allocated costs from the Risk Management Division budget to the Other Employee Benefits budget associated with one new Confidential Assistant IV added in the 2018-2019 Adopted Final Budget. In addition to the increase in estimated revenue, the Department will rely on the use of $27,233 in departmental retained earnings to fund the increase in costs. The retained earnings balance on July 1, 2018, was $217,190. In addition to the use of $130,452 projected in the Adopted Final Budget, the additional use of retained earnings of $27,233 included in midyear will leave an anticipated ending retained earnings balance of $59,505 at fiscal year end.

Professional Liability – An increase in appropriations of $27,540 will ensure timely payment to the California State Association of Counties (CSAC) Excess Insurance Authority (EIA), the County's medical malpractice insurance provider, for the required $10,000 deductible for each existing case plus new cases added during the second half of the fiscal year. These costs are funded by an increase of $5,720 in estimated revenue and the use of $21,820 in departmental retained earnings. The retained earnings balance on July 1, 2018, was $324,048. The additional use of retained earnings along with the $250,000 included in the Adopted Final Budget will leave an anticipated $52,228 in departmental retained earnings at year end.

Budget Unit Name	Recommended Budget Adjustment: Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
CEO RM - General Liability Self-Insurance	$28,625	$658,625	$630,000	$0	Increase estimated revenue and appropriations to fund increases in defense attorney fees and settlements, partially funded by an increased use of departmental retained earnings.
CEO RM - Other Employee Benefits	$15,395	$42,628	$27,233	$0	Increase estimated revenue and appropriations to fund increases in contract costs and Other Charges, partially funded by an increased use of departmental retained earnings.
CEO RM - Professional Liability Self-Insurance	$5,720	$27,540	$21,820	$0	Increase estimated revenue and appropriations to fund increases in medical malpractice cases, partially funded by an increased use of departmental retained earnings.
Total	**$49,740**	**$728,793**	**$679,053**	**$0**	

Recommendation: It is recommended to increase appropriations by $728,793, funded by an increase to estimated revenue of $49,740 and $679,053 in increased use of departmental retained earnings.

Staffing Recommendation: There are no staffing recommendations.

Clerk-Recorder

Clerk-Recorder – It is recommended to decrease appropriations by $84,640 to transfer the cost of Salaries and Benefits of five positions in the Clerk-Recorder budget to the Elections budget to assist with the election process.

Clerk-Recorder – Elections – It is recommended to increase appropriations by $329,589 funded by an increase in estimated revenue of $235,311 and General Fund Contribution of $94,278. The increase will fund unanticipated ballot and labor costs incurred as a result of voting districts moving elections from odd to even year cycles. An additional General Fund Contribution increase of $84,640 will be offset by an equal General Fund Contribution decrease in the Clerk-Recorder budget to recognize the Salaries and Benefits of five positions redirected from the Clerk-Recorder to the Clerk-Recorder Elections to assist with the election process.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
CR - Recorder Division	$0	($84,640)	$0	($84,640)	Decrease appropriations in Salaries and Benefits to transfer the cost of staff from the Clerk-Recorder to the Clerk-Recorder Elections.
CR - Elections Division	$0	$84,640	$0	$84,640	Increase appropriations in Salaries and Benefits to transfer the cost of staff from the Clerk-Recorder to the Clerk-Recorder Elections.
CR - Elections Division	$235,311	$329,589	$0	$94,278	Increase appropriations and estimated revenue to cover additional costs due to higher ballot and labor related to voting districts moving from odd to even year election cycles.
Total	**$235,311**	**$329,589**	**$0**	**$94,278**	

Recommendation: It is recommended to increase appropriations by $329,589 funded by an increase in estimated revenue of $235,311 and $94,278 in General Fund Contribution.

Staffing Recommendation: There are no staffing recommendations.

County Counsel

The Department is experiencing an increased request for support from the Community Services Agency in relation to dependency cases. To meet this need, it is recommended to add one new Deputy County Counsel V position. The position will be supported with an increase in appropriations of $63,475 for the remainder of the fiscal year, funded with $59,476 in estimated revenue and a $3,999 General Fund Contribution. The estimated annual cost for this position is $187,000 with funding provided 94% by the Community Services Agency and a 6% General Fund Contribution.

In addition, an increase in appropriations of $232,068 for unplanned retirement cash outs is recommended. This one-time cost is funded with increases of $134,599 in estimated revenue and a $97,469 General Fund Contribution.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
County Counsel	$134,599	$232,068	$0	$97,469	Increase estimated revenue and appropriations to fund termination cash out, partially funded by an increase in General Fund Contribution.
County Counsel	$59,476	$63,475	$0	$3,999	Increase estimated revenue and appropriations to support new Deputy County Counsel V position, partially funded by an increase in General Fund Contribution.
Total	**$194,075**	**$295,543**	**$0**	**$101,468**	

Recommendations It is recommended to increase appropriations by $295,543, funded by an increase in estimated revenue of $194,075 and a $101,468 General Fund Contribution.

Staffing Recommendation: It is recommended to add one new Deputy County Counsel V position to provide legal services in child dependency cases to the Community Services Agency's customers.

General Services Agency

Administration – The County has adopted the American with Disabilities Act (ADA) Transition Plan and has begun implementation countywide. A Manager III position is being requested to provide the oversight and coordination of this program and to implement the transition plan countywide. The ongoing annual cost of this position is $140,474 and is funded by charges for services through the Cost Allocation Plan (CAP). An increase of estimated revenue and appropriations of $46,825 will fund the position for the remainder of the fiscal year. Additionally, a half-time Administration Clerk III position is necessary to provide support to the ADA program. The ongoing annual cost of this position is $72,252 and is split between Administration and Central Services, funded by charges for services through CAP. An increase in estimated revenue and appropriations of $12,043 will fund the position in Administration for the remainder of the fiscal year. It is also recommended to increase estimated revenue and appropriations by $83,595 due to an employee termination cash-out.
Central Services – An increase in estimated revenue and appropriations of $12,042 will fund half of the Administrative Clerk III position mentioned above, funded by charges for services. This position is shared with the ADA Program. A transfer of appropriations from Fixed Assets to Services and Supplies in the amount of $22,000 is recommended for Planet Bids purchasing software license agreement. Additionally, to charge out the costs through the cost allocation plan of the ADA Program Manager III and Administrative Clerk III ADA Program support position, an increase of estimated revenue and appropriations of $58,868 is recommended in the Central Services budget.

Facilities Maintenance – In 2016, the County Office of Emergency Services conducted a Security Assessment report of the 12th Street Office Building and Garage. The report recommended an armed guard for the office building and a second armed guard for the garage. An increase in estimated revenue and appropriations of $60,000 will fund these contracted security services for the remainder of the fiscal year, funded by charges for services to 12th Street tenants. Additionally, a transfer of appropriations from Fixed Assets to Services and Supplies in the amount of $50,000 will allow the purchase of various tools and personal protective equipment to protect staff against arc-flash.

Fleet Services – The County fleet has increased from 973 in Fiscal Year 2017-2018 to 1,022 in Fiscal Year 2018-2019, as a result fuel usage has increased, as well as an increase in fuel costs. An increase in estimated revenue and appropriations of $237,098 is recommended, funded by charges for services.

Budget Unit Name	Recommeded Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
GSA - Administration	$83,595	$83,595	$0	$0	Increase estimated revenue and appropriations for an employee termination cash-out to be funded proportionately by charges for services to the other General Services Agency divisions from retained earnings.
GSA - Administration	$46,825	$46,825	$0	$0	Increase in estimated revenue and appropriations for one new Manager III assigned as the County ADA Coordinator, funded by charges for services through the cost allocation plan.
GSA - Administration	$12,043	$12,043	$0	$0	Increase estimated revenue and appropriations for one new Administrative Clerk III position to provide administrative support to the countywide ADA program, funded from charges for services through the cost allocation plan. This position is shared 50/50 with Central Services - Purchasing.
GSA - Central Services	$12,042	$12,042	$0	$0	Increase estimated revenue and appropriations for new Administrative Clerk III position for Purchasing associated duties funded by charges for services through the cost allocation plan.
GSA - Central Services		($22,000)	$0	($22,000)	Transfer from Fixed Assets to Services and Supplies for Planet Bids purchasing software license agreement.
GSA - Central Services		$22,000	$0	$22,000	Transfer to Services and Supplies from Fixed Assets for Planet Bids purchasing software license agreement.
GSA - Central Services	$58,868	$58,868	$0	$0	Increase in estimated revenue and appropriations for the new ADA Program Manager III and Administrative Clerk III to support ADA program to be charged out through the Cost Allocation Plan (CAP).
GSA - Facilities Maintenance	$60,000	$60,000	$0	$0	Increase in estimated revenue and appropriations for two additional security guards assigned to 12th Street Office Building and Garage, funded by 12th Street tenants.
GSA - Facilities Maintenance	$0	($50,000)	$0	($50,000)	Transfer appropriations from Fixed Assets to Services and Supplies to purchase various tools and personal protective equipment to protect FMD staff against an arc-flash.
GSA - Facilities Maintenance		$50,000	$0	$50,000	Transfer appropriations to Services and Supplies from Fixed Assets to purchase various tools and personal protective equipment to protect FMD staff against an arc-flash.
GSA - Fleet Services	$237,098	$237,098	$0	$0	Increase in estimated appropriations and revenue for increased fuel cost and usage.
Total	**$510,471**	**$510,471**	**$0**	**$0**	

Recommendation: It is recommended to increase estimated revenue and appropriations in the amount of $510,471.

Staffing Recommendation*:* It is recommended to add one new Manager III position as the countywide American's with Disabilities Act (ADA) Coordinator to implement the transition plan to be consistent with State and Federal laws to ensure the County is compliant with ADA requirements.

It is also recommended to add one new Administrative Clerk III position to provide .50 FTE support to the ADA program and .50 FTE support to Central Services - Purchasing to address the increased purchase order volume activity and to ensure contracts are electronically accessible through the Contract and Insurance Management System (CIMS).

Strategic Business Technology

It is recommended to increase estimated revenue and appropriations by $70,000 to fund salaries and benefits associated with an embedded SBT staff member in the Chief Executive Office (CEO), two new staff members hired above the budgeted salary band and to fund retirement cash-outs.

The embedded staff will spend 70% of their time dedicated to the CEO's office, physically stationed in the CEO's office, providing support for Countywide services such as Office 365 and Peoplesoft, desktop support, CEO's specific systems such as MinuteTraq and Board of Supervisor technical support including but not limited to online video, agenda posting, and Chamber Audio/Visual equipment.

It is recommended to increase estimated Cost Allocation Plan (CAP) revenue and appropriations by $180,000 to cover actual Office 365 license costs. Estimated Office 365 licenses were based on employee paychecks by Department however actual licenses were higher than estimated due to a variety of scenarios including contract employees and Department group emails resulting in a true up cost of $180,000.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Strategic Business Technology	$70,000	$70,000	$0	$0	Increase in estimated revenue and appropriations to fund an embedded SBT staff member in the CEO's office, new staff hired above budgeted salary band and retirement cash-outs
Strategic Business Technology	$180,000	$180,000	$0	$0	Increase in estimated revenue and appropriations to cover Office 365 license costs
Total	**$250,000**	**$250,000**	**$0**	**$0**	

Summary of Recommendations: It is recommended to increase estimated revenue and appropriations by $250,000 funded primarily by CAP Charge and Service Level Agreement revenue resulting in no additional use of retained earnings.

Staffing Recommendation: It is recommended to add one new Application Specialist III position to support customer desktop and application support needs. For Fiscal Year 2018-2019, the position will be funded through departmental retained earnings and 70% of staff expense will be charged to the Chief Executive Office per internal services agreement. For Budget Year 2019-2020 and forward, the position will be charged 70% to the Chief Executive Office and 30% through the existing Cost Allocation Plan.

Delivering Community Infrastructure

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

Delivering community infrastructure to benefit our residents and businesses

Priority Overview

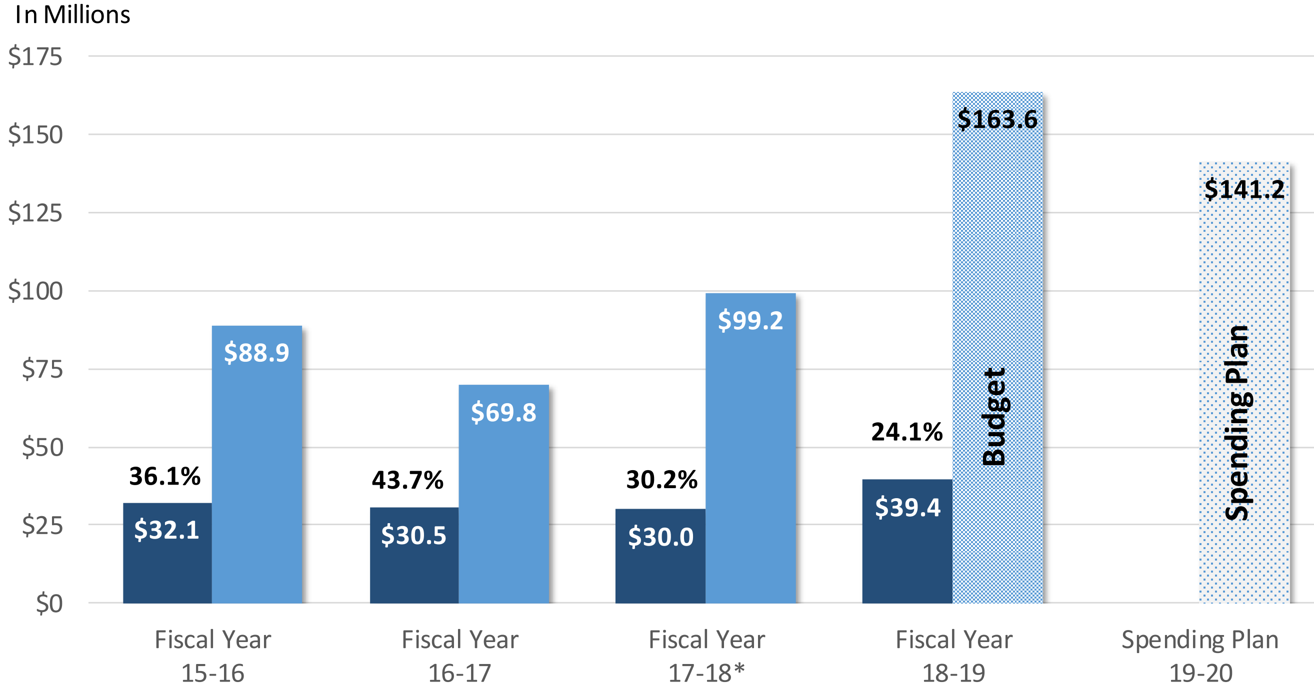
The Board of Supervisors' priority area of *Delivering Community Infrastructure* is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, recreational opportunities, and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

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

Departmental Revenue

For the departmental budgets that are part of the Board of Supervisors' priority *Delivering Community Infrastructure* as of December 31, 2018, actual revenue collected is $39.4 million, which represents 24.1% of the estimated annual revenue. This is below the range when compared to mid-year of the prior three years when collections ranged from 30.2% to 43.7% of the final actual revenue. This is a result of the timing of Road & Bridge projects. Projects are fully budgeted in the current year but occur over multiple years.

Delivering Community Infrastructure Four-Year Revenue Comparison

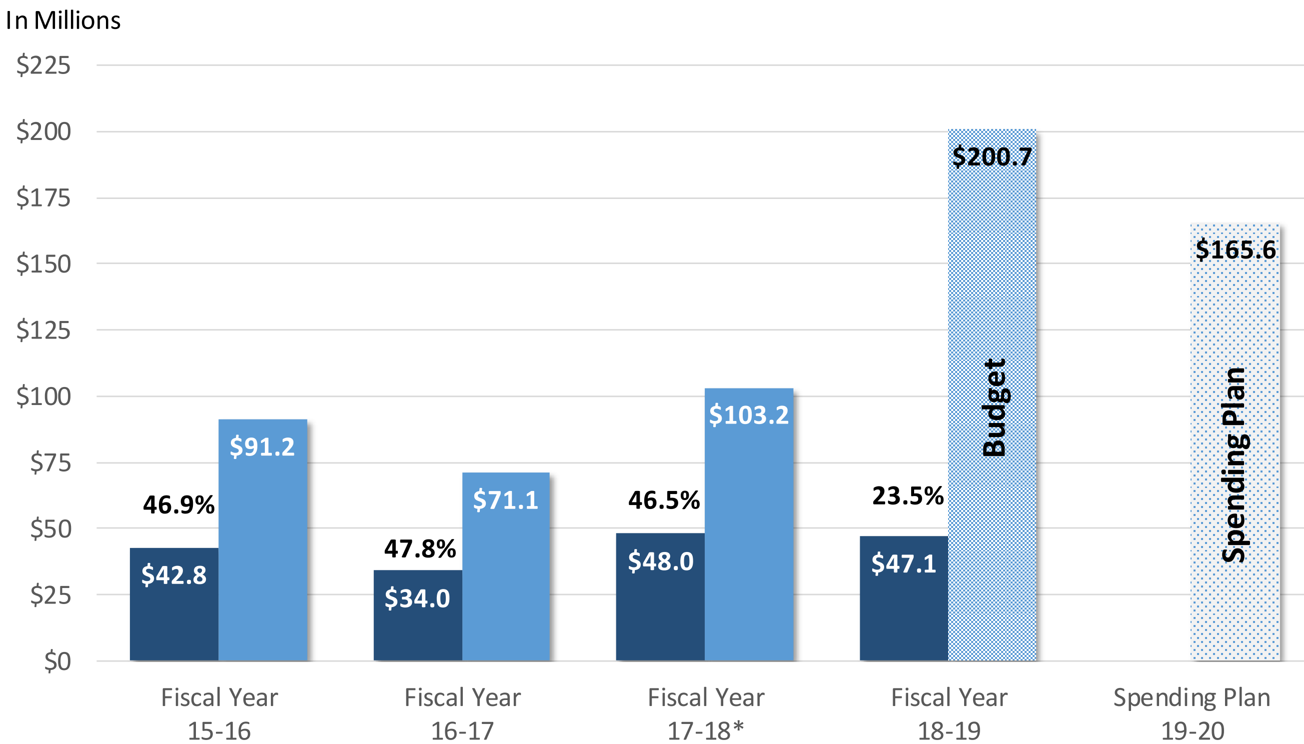


*The charts included in the 2018-2019 First Quarter Financial Report depicted the June Operating Budget for Fiscal Year 2017-2018; the Midyear charts have been updated using year-end actuals for a more consistent comparison between fiscal years.

Departmental Expenditures

As of December 31, 2018, expenditures are $47.1 million, representing 23.5% of the budgeted appropriations. Expenditures at mid-year of the prior three years ranged from 46.5% to 47.8% of the final actual expenditures, placing this year's expenditures below the range. The lower percentage is primarily due to the timing of road projects. Projects are fully budgeted in the current year; however, actual expenditures occur over multiple years. Two traffic signal projects: Geer Road at Santa Fe and Geer Road at Whitmore are scheduled for completion this Winter.

Delivering Community Infrastructure Four-Year Expenditures Comparison



*The charts included in the 2018-2019 First Quarter Financial Report depicted the June Operating Budget for Fiscal Year 2017-2018; the Midyear charts have been updated using year-end actuals for a more consistent comparison between fiscal years.

Midyear Issues and Recommendations

The recommendations contained in this report for the priority of Delivering Community Infrastructure will increase appropriations in the amount of $4.3 million, which includes a $22,986 technical adjustment for increased health insurance rates. These adjustments along with a $2 million increase in estimated revenue are funded by use of department fund balance in the amount of $2.2 million and $22,986 in General Fund Contribution transferred from CEO-Appropriations for Contingencies.

Environmental Resources

The Department is aware of two employee retirement cash outs, as a result it is recommended to increase appropriations in the amount of $137,221. Additionally, to adequately budget overtime costs it is recommended to increase appropriations by $40,772. Salary savings this fiscal year will account for additional overtime costs needed. These adjustments are funded by department fund balance, which is projected to be $3.8 million at year-end (inclusive of these adjustments).

Fink Road Landfill: Due to an oversight, the department did not budget adequate appropriations for depreciation and amortization, as well as landfill closure costs. A total increase of $2.1 million in appropriations is necessary to end the year in a positive fiscal position, funded by retained earnings. With this adjustment included, retained earnings balance is projected to be $11.7 million at year-end.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Environmental Resources	$0	$137,221	$137,221	$0	Increase in appropriations for two employee retirement cashouts, funded by department fund balance.
Environmental Resources	$0	$40,772	$40,772	$0	Increase in appropriations to budget for overtime costs, funded by department fund balance.
ER - Fink Road Landfill	$0	$1,200,000	$1,200,000	$0	Increase in appropriations to budget for Depreciation and Amortization, funded by retained earnings.
ER - Fink Road Landfill	$0	$900,000	$900,000	$0	Increase in appropriations to budget for Landfill Closure Costs, funded by retained earnings.
Total	**$0**	**$2,277,993**	**$2,277,993**	**$0**	

Recommendation: It is recommended to increase appropriations by $2,277,993, funded by department fund balance/retained earnings.

Staffing Recommendation: There are no staffing recommendations.

Parks and Recreation

Staffing Recommendation: The Department requested to restore one unfunded Deputy Director of Parks position. This position was unfunded in 2011, along with a Manager III, due to a reduction in funding in the Parks and Recreation budget, and the duties were assigned to a Department of Environmental Resources Assistant Director. Oversight of the Parks and Recreation Department has increased significantly over the years that include several special events held at the regional parks, enhanced marketing, implementation of the 2018 Parks Master Plan and identifying funding sources, Woodward Reservoir North Shore Project, as well as other various projects and the day-to-day activities in providing leadership to the Parks Department. The total annual cost of this position is $139,554, funded primarily by the General Fund. The additional marketing efforts resulting in increased visitation and special events at the regional parks will provide revenue to partially fund this position. It is recommended to study this request.

Planning and Community Development

Planning and Community Development – During the current fiscal year, commercial cannabis applicants reached the land-use entitlement phase of the County's Commercial Cannabis Program. This has resulted in an increase in fee revenue and costs associated with contracted planning services. To account for this increase, it is recommended to increase appropriations and estimated revenue by $150,000. Cannabis permit activity will continue into the next fiscal year including cannabis application revenue and contract expenses for contracted planning servcies.

Planning-Building Permits – Contruction Permit revenue, the Division's main source of revenue, is trending below budget. Estimated revenue from this source was budgeted at $2 million for the current fiscal year; however, Midyear projections indicate Construction Permit revenue will end the year at approximately $1.8 million. Therefore, it is recommended to decrease estimated revenue by $208,066 offset by additional use of fund balance. Inclusive of the recommendation, fund balance is projected to be $2.8 million at year-end.

Planning-Dangerous Building Abatement – The Fiscal Year 2018-2019 Adopted Final Budget included funding in the Dangerous Building Abatement budget to abate four buildings. As of Midyear, 95% of the budgeted appropriations for Services and Supplies have been expended on demolitions and forced cleanups of three properties. It is recommended to increase appropriations by $24,000, funded by fund balance, so the Department can continue abating dangerous buildings that pose a distinct health threat to county residents.

Special Revenue Grants – The Board of Supervisors had previously approved over $1 million in Neighborhood Stabilization Program (NSP) 3 funding for the new construction of six veterans housing units in the Modesto area. The County received an additional $200,000 in NSP 3 program income for the project in the prior fiscal year, but not in time to include in the Fiscal Year 2018-2019 Adopted Final Budget. It is recommended to increase appropriations by $200,000.

Further, the Department received an additional $360,000 in Community Development Block Grant (CDBG) Emergency Solutions Grant (ESG) funding. It is recommended to increase appropriations and estimated revenue by this amount to fund non-profit organizations that provide public services to the homeless. Federal ESG funds will be used to provide operational and essential services funding for transitional and emergency homeless shelters; and for the development of the Homeless Management Information System (HMIS). Funding will also provide financial assistance, in combination with case management, to stabilize housing for persons experiencing homelessness or who are at risk of becoming homeless.

As the Urban County's Administrative Entity for CDBG Housing and Urbran Development (HUD) grants, the department receives the grant funding and reimburses cities for their project expenses. In order to pass the grant funding to the cities, it is necessary to increase estimated revenue and appropriations by $909,000. This funding has already been awarded to the Urban County by HUD, but not previously appropriated due to the timing of the infrastructure project developments being undertaken by the various Urban County member cities: Hughson, Oakdale, Cere, Newman and Waterford.

Inclusive of the recommendation, fund balance for Special Revenue Grants is projected to be $1.1 million at year-end.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Planning and Community Development	$150,000	$150,000	$0	$0	Increase appropriations and revenue to reflect the revenue received from cannabis applications and to pay contract cost for on call planning services for the review of cannabis applications.
Plannning - Building Permits	($208,066)	$0	$208,066	$0	Decrease in estimated revenue for Building Permits. Revenue is tracking below Legal Budget year to date. Shortfall in projected actual revenue will be covered by Fund Balance.
Planning - Dangerous Building Abatement	$0	$24,000	$24,000	$0	Increase in appropriations to provide funds for potential demolition of dangerous buildings in the County and forced cleanups. This request is paid for by Fund Balance.
Planning - Special Revenue Grants	$0	$200,000	$200,000	$0	Increase in appropriations to provide NSP program funds for the construction of Veterans Housing.
Planning - Special Revenue Grants	$360,000	$360,000	$0	$0	Increase in appropriations and revenue to provide the Stanislaus Urban County the ability to fund non-profit organization that provide public services to the homeless.
Planning - Special Revenue Grants	$909,000	$909,000	$0	$0	The Planning Special Revenue Grants Legal Budget Unit is requesting an increase of $909,000 in Appropriations for the use in Funds 1684, 1784, 178A, 178B, 178C, Community Development Block Grant (CDBG) Housing and Urban Development (HUD) grants for Hughson, Oakdale, Ceres, Newman and Waterford.
Total	**$1,210,934**	**$1,643,000**	**$432,066**	**$0**	

Recommendation: It is recommended to increase estimated revenue by $1,210,934 and appropriations by $1,643,000 resulting in the use of $432,066 in fund balance.

Staffing Recommendation: There are no staffing recommendations.

Public Works

Local Transit – American with Disabilities Act (ADA) services in Empire have seen a significant increase as a result of the City of Modesto eliminating services in the area. An increase of $208,300 in appropriations will account for the increased services. Additionally, an increase in estimated revenue of $715,000 will recognize the receipt of Low Carbon Transit Operations Program (LCTOP) grant funding, resulting in a return to retained earnings in the amount of $506,700.

Morgan Shop – The department has experienced an increase in fuel costs and usage this fiscal year, it is recommended to increase estimated revenue by $56,340 and appropriations in the amount of $80,404, the balance will be funded by department retained earnings. An increase in appropriations of $20,140 is also recommended for salaries and benefits to recognize the 3% salary increase received in July that was not originally budgeted, funded by retained earnings. With these adjustments, retained earnings is projected to be $12.8 million at year-end.

Road and Bridge – Due to the increase in staff overtime during the Chip Seal season it is recommended to transfer $150,100 in appropriations from Fixed Assets to Salaries and Benefits.

Budget Unit Name	Recommended Budget Adjustment: Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
PW - Local Transit System	$715,000	$208,300	($506,700)	$0	Increase estimated revenue and appropriations for transportation contracted services and receipt of LCTOP grant.
PW - Morgan Shop	$0	$20,140	$20,140	$0	Increase appropriations to budget 3% salary increase effective 7/1/2018, funded with retained earnings.
PW - Morgan Shop	$56,340	$80,404	$24,064	$0	Increase estimated revenue and appropriations for increased fuel costs and usage, funded partially by charges for services and retained earnings.
PW - Road and Bridge	$0	($150,100)	($150,100)	$0	Transfer appropriations from Fixed Assets to Salaries and Benefits, due to increase in overtime from Chip Seal season.
PW - Road and Bridge	$0	$150,100	$150,100	$0	Transfer appropriations from Fixed Assets to Salaries and Benefits, due to increase in overtime from Chip Seal season.
Total	**$771,340**	**$308,844**	**($462,496)**	**$0**	

Recommendation: It is recommended to increase estimated revenue by $771,340 and appropriations by $308,844, resulting in a return of $462,496 to department fund balance/retained earnings.

Staffing Recommendation: There are no staffing recommendations.

Special Districts

At the time of the Fiscal Year 2018-2019 Adopted Final Budget, spending plans were estimated, and appropriations and estimated revenues were approved for the dependent special districts governed by the Board of Supervisors to allow them to operate in the fiscal year. Subsequent analysis during the development of the assessment rates and related operations for the five months of Fiscal Year 2018-2019 resulted in the requested changes to the Adopted Final Budgets for four County Service Areas (CSA).

Special Districts receive revenue from property taxes and/or special assessments. The funds can only be used for the purpose for which they were collected and only those residents who benefit from services provided by a special district pay for them.

County Service Area: A net increase of $9,312 is requested to add assessments for planned development parcels annexed to CSA 20 and for the development of the Bonita Ranch 5 subdivision in CSA 26. The total amount of increase represents funds paid by developer/property owner to cover the first year of operations and maintenance of planned development parcels for CSA 20 and assessments charged to the new developed properties in CSA 26.

A net increase of appropriations of $27,014 is recommended to the following:

- $4,000 for CSA 10 (Public Works) storm water pump rebuild/repair;
- $2,300 for CSA 18 to convert and extend the irrigation system along the redwoods in the CSA area by the Department of Parks and Recreation;

- $4,334 for the annexation of planned development parcels to CSA 20 in the period from January 2018 to September 2018. The amount covers the first year of operations and maintenance planned for annexed parcels; and
- $16,380 for the storm water pump rebuild/repair for CSA 26.

These recommended adjustments bring the CSA budgets in line with the previously approved engineer`s reports and projects` development and maintenance plans. It is recommended to make the following adjustments:

	Estimated Revenue			Appropriations/Expenditures		
County Service Area	FY 2018-2019 Adopted Final Budget	Recommended Midyear Budget Adjustment	Recommended Midyear Budget	FY 2018-2019 Adopted Final Budget	Recommended Midyear Budget Adjustment	Recommended Midyear Budget
County Service Area No. 10 - Salida (PW)	$416,212	$0	$416,212	$400,000	$4,000	$404,000
County Service Area No. 18 - Atlas Park	$10,332	$0	$10,332	$12,295	$2,300	$14,595
County Service Area No. 20 - Summit	$8,430	$4,334	$12,764	$8,479	$4,334	$12,813
County Service Area No. 26 - Keyes	$135,189	$4,978	$140,167	$190,118	$16,380	$206,498
		$9,312			**$27,014**	

Lighting and Lighting Maintenance: A net increase of $1,206 in estimated revenue and $1,239 in appropriations is recommended to add assessments to reflect annexations of planned development parcels in the period from January 2018 to October 2018 and the split/combine of the parcels in the Lighting Districts in Fiscal Year 2017-2018. An increase of $725 for Deo Gloria LD and $481 North McHenry 2 Lighting District is due to annexed planned development parcels in the period from January 2018 to October 2018. This amount covers the first year of operations and maintenance planned for annexed parcels and paid by the developer/property owner.

These recommended adjustments bring the Special Districts budgets in line with the previously approved engineer reports, assessment/budget schedule, and projects` development and maintenance plans. It is recommended to make the following adjustments:

	Estimated Revenue			Appropriations/Expenditures		
Lighting and Lighting Maintenance District	FY 2018-2019 Adopted Final Budget	Recommended Midyear Budget Adjustment	Recommended Midyear Budget	FY 2018-2019 Adopted Final Budget	Recommended Midyear Budget Adjustment	Recommended Midyear Budget
Deo Gloria Lighting	$5,055	$725	$5,780	$5,895	$725	$6,620
North McHenry 2 Lighting	$1,381	$481	$1,862	$1,907	$514	$2,421
		$1,206			**$1,239**	

Technical Adjustments

County health insurance rates are established on a calendar-year rather than fiscal-year basis, typically approved in the fall of each year. Health insurance cost increases were not known in time to be included in the 2018-2019 Adopted Final Budget, presented to the Board of Supervisors in September 2018. Non-General Fund departments were instructed to assume a 5% increase in medical, dental, and vision costs beginning January 2019 for their 2018-2019 Adopted Proposed Budgets. All General Fund departments participated in the Zero-Based Budget process wherein these estimated increases were not factored into their respective base budgets.

On September 25, 2018, the Board of Supervisors approvied the 2019 health insurance rates, a total health insurance increase of 5%. In keeping with past practice, the Chief Executive Office prepared midyear technical adjustments for General Fund departments totaling approximately $500,000. These increases are funded by Net County Cost through a transfer from CEO – Appropriations for Contingencies. The following table identifies the increases in appropriations provided by department.

Department*	Annual Health Insurance Increase (5%)**	Midyear Budget Adjustment (50% Calendar Year)
AAA - Veterans Services	$ 1,874	$ 937
Agricultural Commissioner	24,307	12,153
Assessor	45,488	22,744
Auditor-Controller	32,203	16,101
Board of Supervisors	8,756	4,378
Chief Executive Office	42,572	21,286
CEO - Office of Emergency Services	3,477	1,738
CEO - Risk Management Division	11,611	5,806
Clerk-Recorder	23,753	11,877
Cooperative Extension	2,258	1,129
County Counsel	12,895	6,447
District Attorney	93,444	46,722
Parks and Recreation	34,048	17,024
Planning	11,923	5,962
Probation	150,449	75,225
Public Defender	31,942	15,971
Sheriff	455,939	227,969
Treasurer-Tax Collector	9,402	4,701
Total Health Insurance	**$ 996,340**	**$ 498,170**

*The following departments were not included in the adjustments: General Services Agency, Probation CCP, Revenue Recovery, Sheriff - Contract Cities, and Treasury because they do not receive a General Fund Contribution (NCC) and Grand Jury because it is a Court Position that does not receive County benefits

**Annual Health Insurance Increase from September 25, 2018 Board approved rates

Recommendation: It is recommended to increase appropriations by $498,170 in various General Fund departments (as identified in the table above), funded by Net County Cost.

Midyear Financial Report Conclusion

The Midyear Financial Report shows the County budget is balanced and actual performance is tracking well with the 2018-2019 Operating Budget and year-end projections. County staff will continue to monitor operations for the remainder of the fiscal year. Staff will also closely watch the monthly cash report issued by the State Controller to monitor State inflows of revenue. Staff will return to the Board of Supervisors on May 7, 2019, to present the 2018-2019 Third Quarter Financial Report.

Budget Schedule

The following schedule is recommended for the 2018-2019 Third Quarter Financial Report and Year Two 2018-2019/2019-2020 Proposed Budget:

♦ February 15, 2019	Issued 2018-2019 Third Quarter Budget Instructions
♦ March 8, 2019	Issue Year Two 2018-2019/2019-2020 Proposed Budget Instructions
♦ March 15, 2019	Departments' 2018-2019 Third Quarter Budget Submissions due to Chief Executive Office
♦ April 5, 2019	Departments' Year Two 2018-2019/2019-2020 Proposed Budget Submissions due to the Chief Executive Office
♦ May 7, 2019	2018-2019 Third Quarter Financial Report to the Board of Supervisors
♦ June 18, 2019	Year Two 2018-2019/2019-2020 Proposed Budget Public Hearing