Midyear Financial Report
July – December 2019

Board of Supervisors

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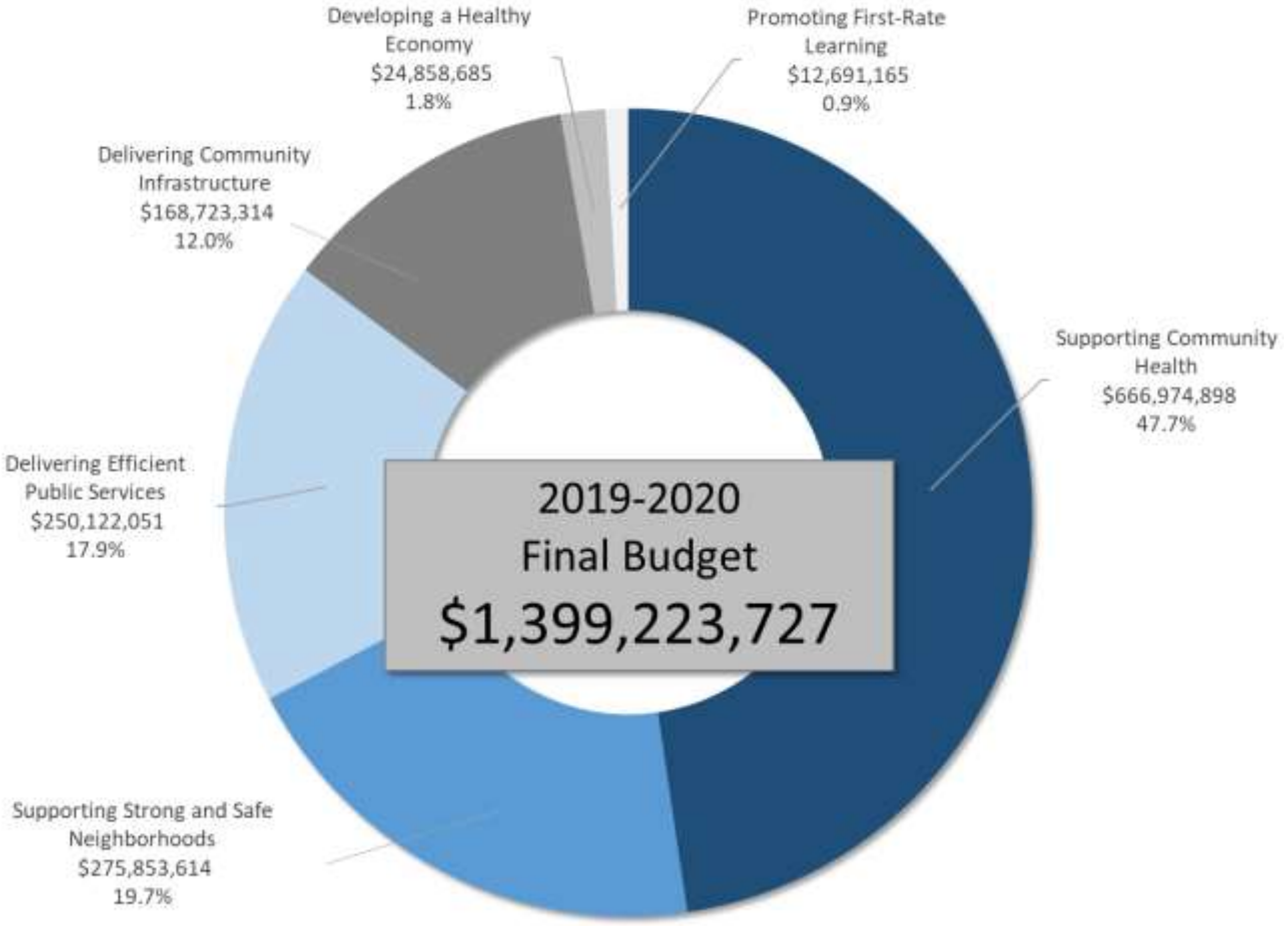
Introduction

This is the Midyear Financial Report for Stanislaus County submitted by the Chief Executive Office for the period of July 1, 2019 to December 31, 2019, for the 2019-2020 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 2019. The Midyear Financial Report also includes a look forward at significant budget challenges and opportunities facing county government.

Background

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

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



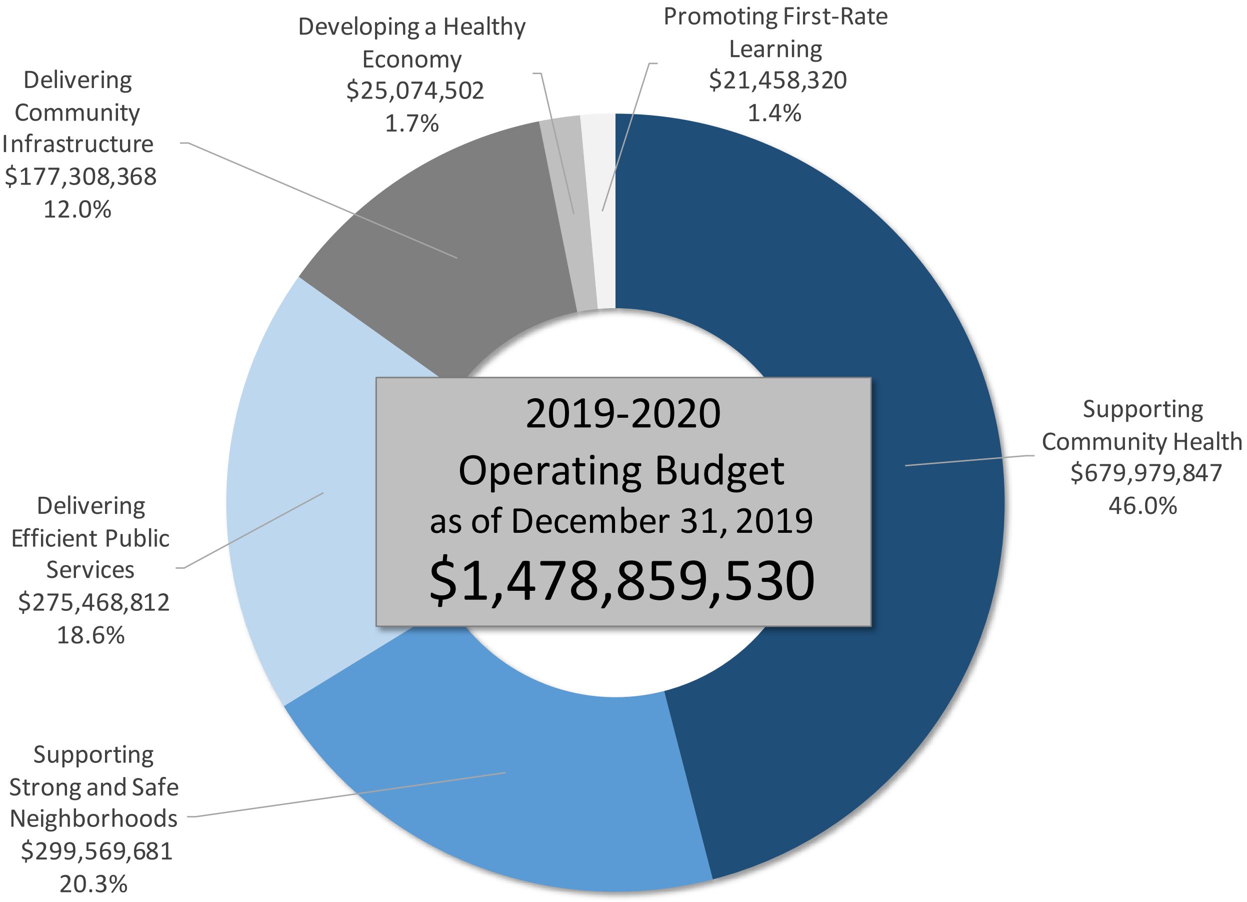
2019-2020 First Quarter Adjustments

The 2019-2020 First Quarter Financial Report contained adjustments to the 2019-2020 Adopted Final Budget to align with operations. Overall appropriations increased by $2.5 million offset by transfers of $1.6 million from Appropriations for Contingencies for a net increase of $893,912. The increase to appropriations was primarily related to technical adjustments in General Fund departments for increased Cost Allocation Plan (CAP) charges, as a result of service-level changes that CAP department's made in 2019-2020 that were not contemplated at the time the two-year budget was originally established, including: additional office 365 licenses managed by Information Technology Central, increased insurance costs in the County's General Liability program and additional services provided through the General Services Agency. The remaining appropriation increase of $893,912 was primarily in support of a transfer of $792,370 from the General Fund assignment of fund balance for State of California revenue that had been previously received for homelessness services to the Community Services Agency for emergency shelter operations. The First Quarter changes were balanced with increases of $101,542 in estimated revenue and $792,370 use of fund balance/retained earnings.

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, 2019, totals $79.6 million. This reflects $30.5 million in carry forward of prior year appropriations, and $49.1 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, 2019:

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



2019-2020 Midyear Financial Report Overview

The 2019-2020 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 2019, 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.

As contemplated with the two-year budget cycle, most policy issues are presented early in the cycle. As a result, the Midyear recommendations at Year Two are all focused on ending the year in the most positive position. Midyear analysis reflects multiple technical adjustments related to Governmental Accounting Standards Board (GASB) changes, fluctuations in state and federal funding levels, and fine-tuning among accounts to support departments in maximizing their current funded services.

The recommendations presented in the Midyear Financial Report include a decrease of $15.6 million in estimated revenue and an increase of $10.8 million in appropriations for all funds. The recommendations contained in this report will result in an overall $26.4 million increase in the use of fund balance/retained earnings to balance the operating budget.

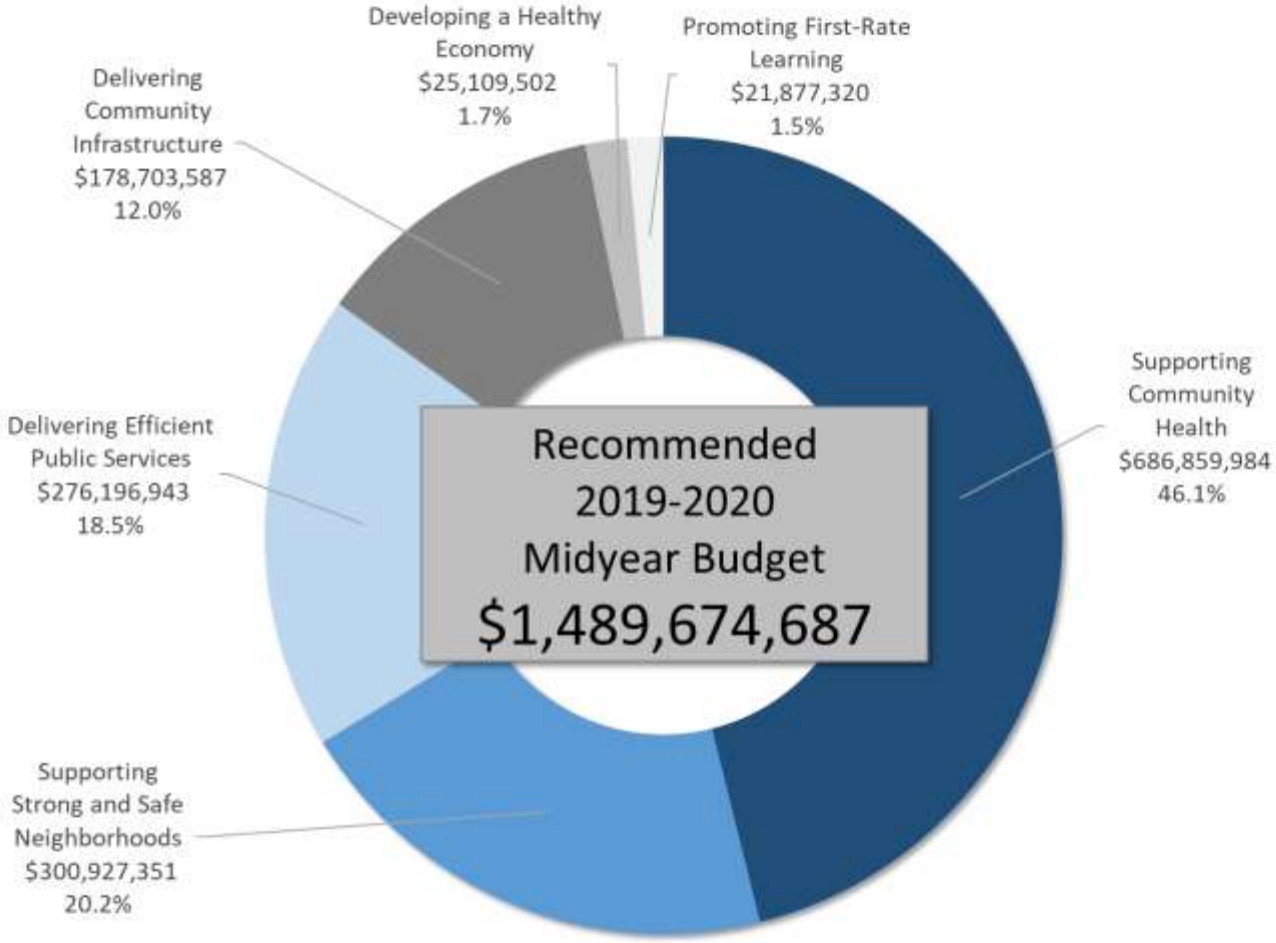
The Midyear Financial Report highlights the continued fiscal strength of the County, a result of prudent business strategies and the Board of

Supervisors' policy direction. Discretionary Revenue is projected to end the fiscal year with $3.9 million in additional revenue above that budgeted in the 2019-2020 Adopted Final Budget, resulting from increases in investment earnings, sales tax, and Proposition 172 sales tax estimates.

Midyear financing strategies rely on $2.8 million in recommended transfers from Appropriations for Contingencies. These transfers will provide $552,465 to General Fund departments for Cost Allocation Plan (CAP) and retirement cash-out costs; $96,249 through General Fund Contribution to Other Programs to the Department of Environmental Resources for the Groundwater Sustainability Plan; $225,000 to the Chief Executive Office for one-time cleanup of alleys in the unincorporated area of the County; and $1,963,911 through Mandated County Match to the Community Services Agency – Public Economic Assistance budget to provide funding for a shortfall of 1991 Realignment revenue. The transfer of Appropriations for Contingencies requires a four-fifths vote by the Board of Supervisors. If approved, approximately $7.6 million in available funding will remain in Appropriations for Contingencies for use throughout the balance of Fiscal Year 2019-2020.

The chart below depicts the Recommended Midyear Budget organized by Board of Supervisors' priority area, followed by a table on the next page summarizing the recommended budget adjustments by fund type, showing the progression from the 2019-2020 Adopted Final Budget through midyear evaluation and analysis:

Fiscal Year 2019-2020 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 2019-2020, alongside the Midyear Operating budget and the Recommended Midyear Adjustments.

Development of the Midyear Budget Recommendation

Fund Type	2019-2020 Adopted Final Budget	2019-2020 Midyear Operating Budget	2019-2020 Midyear Adjustments	Recommended 2019-2020 Midyear Budget
General Fund	$ 377,581,748	$ 409,360,268	$ (1,073,827)	$ 408,286,441
Special Revenue	812,597,772	$ 850,187,438	9,962,660	860,150,098
Capital Projects	731,000	$ 731,000	42,694	773,694
Enterprise	84,847,591	$ 93,455,499	52,500	93,507,999
Internal Service	123,465,616	$ 125,125,325	1,831,130	126,956,455
Total	**$ 1,399,223,727**	**$ 1,478,859,530**	**$ 10,815,157**	**$ 1,489,674,687**

General Fund

The General Fund Recommended Midyear Budget for Fiscal Year 2019-2020 is $408,286,441, a decrease of $1,073,827 from the 2019-2020 Midyear Operating Budget. The decrease represents the net of $3,153,225 in departmental requests, offset by a $1,389,427 decrease for technical adjustments, and a $2,837,625 transfer from Appropriations for Contingencies.

Special Revenue Funds

The Special Revenue Fund Recommended Midyear Budget for Fiscal Year 2019-2020 is $860,150,098, an increase of $9,962,660 from the 2019-2020 Midyear Operating Budget. The primary contributors to the recommended increase include: a net increase of $6.1 million for Community Services Agency related caseload changes and In-Home Supportive Services provider wage increases, a net increase of just over $1 million for the Department of Environmental Resources (DER) household hazardous waste administration, first year implementation of groundwater sustainability plans, and a technical accounting adjustment to recognize transfers between DER budgets, an increase of $700,000 for Behavioral Health and Recovery Services mental health placements and Public Guardian administration, along with other departmental operational needs detailed in the attached Midyear Financial Report.

Capital Projects Funds

The Capital Projects Fund Recommended Midyear Budget for Fiscal Year 2019-2020 is $773,694, an increase of $42,694 from the 2019-2020 Midyear Operating Budget. The increase is attributed to the CEO-Courthouse Construction Fund for increased lease costs and costs related to an audit true-up for previous fiscal years.

Enterprise Funds

The Enterprise Fund Recommended Midyear Budget for Fiscal Year 2019-2020 is $93,507,999, an increase of $52,500 from the 2019-2020 Midyear Operating Budget. The increase is attributed to higher costs in Sheriff-Inmate Welfare for operations costs along with an increase to contracted services for literacy instruction and GED preparation classes for inmates.

Internal Service Funds

The Internal Service Fund Recommended Midyear Budget for Fiscal Year 2019-2020 is $126,956,455, an increase of $1,831,130 from the 2019-2020 Midyear Operating Budget. The primary contributors to the recommended increase include: an increase of $650,000 in CEO-Risk Management Division – General Liability budget for defense attorney fees and loss expenses; an increase of $584,800 in General Services Agency Fleet Services for increases in fuel card lock program, salary, and equipment costs; an increase of $356,330 transferred from CEO-Contribution to Other Programs to support Auditor

Controller – Enterprise Resources Planning in research and implementation of a new enterprise-wide software platform; and an increase of $240,000 in Information Technology Central for additional embedded staff service level agreements and an insurance payment from a previous cyber-attack.

Fund Balance

The beginning fund balance for all funds on July 1, 2019 was $538.7 million. The 2019-2020 Adopted Final Budget included the planned use of $64.6 million in fund balance. Adjusted to include prior year encumbrance carryovers and Board of Supervisors' actions approved through December 31, 2019, a total of $111.2 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 $26.4 million, primarily to reflect an accounting change implemented at the end of Fiscal Year 2018-2019 that redirected significant Health and Human Services funding from deferred revenues and recognized the benefit in department fund balance. This change resulted in a $23.4 million reduction of estimated revenue and an equal reliance on fund balance in the current year for the Behavioral Health and Recovery Services' and Community Services Agency's Special Revenue Funds.

Additional fund balance adjustments include a reduction in the use of $6.2 million in the General Fund as a result of Discretionary Revenue increases and appropriation decreases for the County's Retirement Replacement Benefits Plan; an additional $6.5 million in Special Revenue Funds primarily due to a technical adjustment for the Library which reduced estimated revenue; an increase of $223,655 in the Capital Projects Funds for the CEO – Courthouse Construction Fund; an additional $1.5 million in Enterprise Funds primarily due to the transfer of funding from the Health Services Agency – Clinics and Ancillary Services budget to Public Health; and an increase of $878,600 in the Internal Service Funds for General Liability defense and settlement costs and operational costs in Fleet Services.

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 $63.2 million in fund balance and are projected to end the year with an aggregate $42.1 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, 2020, is forecast to be $401.1 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 7/1/2019*	Operating Budget Revenue on 12/31/2019	Operating Budget Appropriations on 12/31/2019	Midyear Recommended Use of Fund Balance	Projected Fund Balance on 6/30/2020
General Fund	$ 220,647,261	$ 361,349,556	$ 409,360,268	$ (6,197,701)	$ 178,834,250
Special Revenue Funds	221,266,187	816,683,123	850,187,438	29,938,951	157,822,921
Capital Projects Funds	3,857,287	760,000	731,000	223,655	3,662,632
Enterprise Funds	68,464,893	67,731,364	93,455,499	1,545,760	41,194,998
Internal Service Funds	24,473,121	121,130,293	125,125,325	878,600	19,599,489
Total All Funds	**$ 538,708,749**	**$ 1,367,654,336**	**$ 1,478,859,530**	**$ 26,389,265**	**$ 401,114,290**

**Note: The Final Budget document reported a total beginning fund balance of $529,719,518. Since that time, post-closing adjustments totaling $8,989,231 have been posted for all funds which resulted in a revised beginning fund balance of $538.7 million, as depicted above. Significant post-closing adjustments included pension expenses for the Enterprise and Internal Service Funds associated with GASB 68; interest accruals and fair market value adjustments for all funds; increase in the Teeter Receivable in the General Fund; and increased Risk Management Liability amounts in the Internal Service Funds.*

General Fund Update

Discretionary Revenue

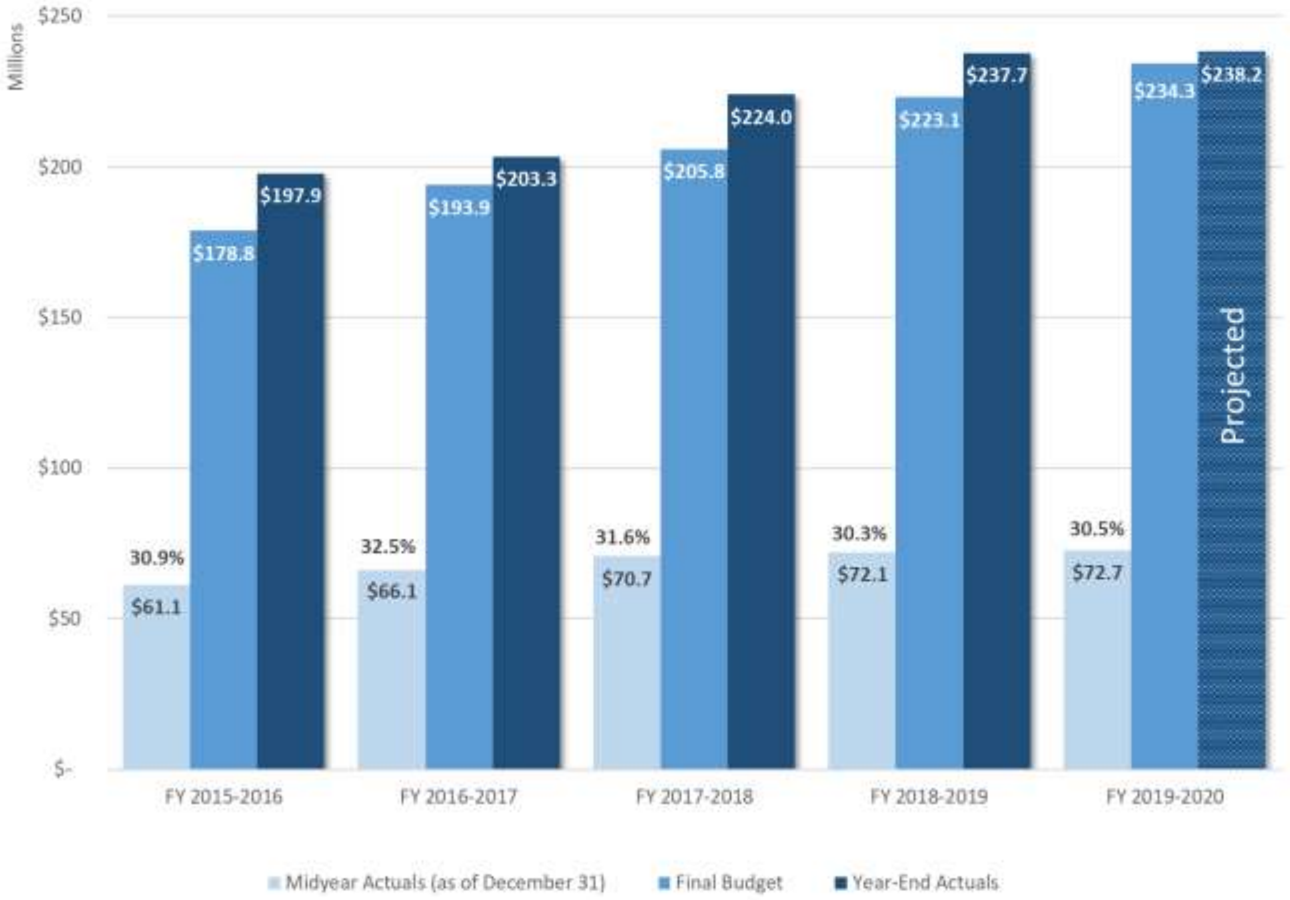
Discretionary Revenue refers to revenue received in the General Fund that is available to fund programs at the Board of Supervisors' discretion. Total Discretionary Revenue included in the 2019-2020 Adopted Final Budget was projected at $234.3 million. As of December 31, 2019, approximately $72.7 million in revenue had been received, representing 31% of the Final Budget total.

Over the past four years, Discretionary Revenue collected through midyear ranged from 32.3% to 34.3% of the Final Budget projection, placing this year's receipts slightly below the historical range. The primary reason for the variance is due to the timing of investment income received from the Tobacco Endowment Funds. In the past, the earnings for the entire previous year were distributed to Discretionary Revenue in July of the following year. In 2018-2019, the Tobacco Investment Policy was updated, which changed the timing and amount of investment income distributed to the County's General Fund. As a result, investment income for Fiscal Year 2017-2018 was distributed to Discretionary Revenue in July 2018, and monthly earnings distributions commenced at the same time. In Fiscal Year 2019-2020, there is no one-time infusion of investment income in July, resulting in a lower percentage received to date.

The four-year history of Discretionary Revenue shows that revenue realized through midyear varied from 30.3% to 32.5% of actual year-end total receipts. Using revenue data from the first six months along with historical trend analysis, the 2019-2020 Midyear Budget reflects Discretionary Revenue estimated at $238.2 million. Revenue received through December 2019 represents 30.5% of this updated estimate, which is within the historical four-year range.

The chart on the following page 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 2019-2020.

General Fund – Discretionary Revenue Five-Year Comparison



Midyear projections of $238.2 million represent an increase of $3.9 million, or 1.7%, over that estimated in the 2019-2020 Adopted Final Budget. This net increase includes projected growth in Taxes, Revenue from the Use of Money, Intergovernmental Revenue, and Other Financing Sources, offset by a decrease in Fines, Forfeitures, and Penalties.

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

Taxes

Included in this category are property-related taxes (secured and unsecured, supplementals, redevelopment pass-through increment, property tax received in lieu of vehicle license fees, property transfer tax), 1% sales and use taxes, and transient occupancy tax. Overall, property-related taxes are estimated to be received as budgeted. Sales and use tax revenue is projected to exceed budget by as much as $1.3 million, using historical trends and higher-than-anticipated receipts for the first two quarters. As a result, it is recommended to increase the Taxes category by $1 million.

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.

The 2019-2020 Adopted Final Budget totaled $2.7 million based on projections of Fiscal Year 2018-2019 year-end actuals. Actual receipts for Fiscal Year 2018-2019 were lower than anticipated, thus a reduction of $200,000 in Fiscal Year 2019-2020 is recommended for this category.

Revenue from Use of Money

Interest earned on General Fund pooled cash in the Treasury makes up most of the revenue in this category. As the General Fund cash balance and interest rates have increased, so too has the interest earned. Revenue from the quarter ending December 2019 was received in January 2020 and considered when running projections for year-end. For the first two quarters, receipts are up 33% from last fiscal year. As a result, an increase of $1.7 million is recommended for Interest revenue.

Intergovernmental Revenue

The main source of revenue in this category is from a one-half cent Sales and Use Tax for local public safety services, also known as Proposition (Prop) 172. This revenue source is budgeted at $46.4 million and supports the General Fund budgets of the District Attorney, Probation, Sheriff and the CEO – Office of Emergency Services for distribution to support local fire agencies that do not directly receive Proposition 172 funding. Actual receipts for Prop 172 revenue are up 4.1% through December. At midyear, it is estimated that Proposition 172 revenue could exceed budget based upon historical trends. As a result, it is recommended that Intergovernmental Revenue be increased by $1 million.

Other Financing Sources

Investment income from the 2002 and 2006 Tobacco Endowment Funds as well as operating transfers in for the Stanislaus Animal Services Facility debt payments are the revenue sources budgeted in this category. Investment income received for the Tobacco Endowment Funds was budgeted at $3 million in the Adopted Final Budget. Due to higher-than-anticipated earnings received for the first six months of the year, this revenue source is projected to exceed budget by approximately $400,000. As a result, Other Financing Sources is recommended to increase by $400,000.

The following chart summarizes 2019-2020 Midyear Budget projections and recommended adjustments totaling $3.9 million, for a revised Discretionary Revenue budget of $238.2 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 2018-2019 Actuals	Fiscal Year 2019-2020 Final Budget	Midyear 2019-2020 Projections	Midyear Recommended Adjustments
Taxes	$ 164,389,689	$ 169,620,000	$ 170,620,000	$ 1,000,000
Licenses, Permits, and Franchises	1,021,043	1,054,000	1,054,000	-
Fines, Forfeitures, and Penalties	2,247,498	2,700,000	2,500,000	(200,000)
Revenue from the Use of Money	10,945,440	6,502,000	8,202,000	1,700,000
Intergovernmental Revenue	49,199,652	48,640,000	49,640,000	1,000,000
Charges for Services	3,099,555	2,588,000	2,588,000	-
Miscellaneous Revenue	193,305	-	-	-
Other Financing Sources	6,620,094	3,195,000	3,595,000	400,000
Total Discretionary Revenue	**$ 237,716,276**	**$ 234,299,000**	**$ 238,199,000**	**$ 3,900,000**

Recommendation: It is recommended to increase estimated Discretionary Revenue by $3,900,000.

General Fund Classification of Fund Balance

Of the five classifications of fund balance, Non-spendable, 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 categories of Non-spendable, Restricted, and Committed fund balance will remain at $13.7 million, $5.2 million, and $1.7 million respectively for the year. There are no changes recommended for any of these categories.

Within Assigned Fund Balance, adjustment strategies identified in the 2019-2020 Adopted Final Budget reflect a decrease of $547,670. Budgeted Use of Fund Balance includes assignments approved in the Adopted Final Budget, along with funding for prior year appropriations added at 2018-2019 fiscal year-end and funding for approved uses by separate Board actions through December 2019. The 2019-2020 Adopted Final Budget included the use of $21.9 million in Assigned Fund Balance for Performance Visioning Carryover Savings, Budget Balancing, Deferred Maintenance, Enterprise and Technology Upgrades, Housing and Community Development, Training and Workforce Development, and Americans with Disabilities Act (ADA) improvements. At the end of Fiscal Year 2018-2019, $15.4 million in combined carryover appropriations and prior year encumbrances were added to the County's budget, increasing Assigned Fund Balance by the same amount. Finally, through separate actions, the Board of Supervisors approved the use of $5 million of fund balance for Jail Life-Safety System Failure, $4.2 million for the Crows Landing Industrial Business Park, $1.5 million for the Retirement Replacement Benefits Plan, $1.3 million for Library Projects, and an additional $792,370 in Housing and Community Development.

Midyear adjustments to Assigned Fund Balance include the reduction in the use of the Retirement Obligation by $1.4 million to reflect the Auditor's decision to post the cost of retirement benefits related to prior years in the 2018-2019 Fiscal Year. The Retirement Obligation was reduced in the 2018-2019 Fiscal Year by $1.4 million, to match the cost in prior years. In addition, the Contingency Assignment is recommended to increase by $988,000, reflecting 8% of the average prior three years of Discretionary Revenue receipts. Unassigned fund balance will be decreased in an equal amount. If all assignments are utilized in the manner in which they are budgeted, year-end fund balance for this category is projected to be $146.8 million.

The Adopted Final Budget included increases in Discretionary Revenue and other revenue sources, which resulted in a projected balance of $1.6 million returning to Unassigned fund balance at fiscal year-end. Budget adjustments by separate Board action for the Sheriff's Jail-Based Competency Treatment program increased the estimated balance by $564,567. Midyear adjustments include the addition of $4.8 million due primarily to the increase in Discretionary Revenue and the use of $35,000 of Community Development Fund balance, leading to a year-end projected Unassigned fund balance of $11.5 million.

The beginning total fund balance of $220.6 million is slightly higher than that reported in the 2019-2020 Adopted Final Budget and includes $1.7 million 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 $178.8 million.

General Fund	Fund Balance 7/1/19	Adjustment Strategies	Budgeted Use of Fund Balance	Midyear Recommendations	Projected Fund Balance 6/30/20
Fund Balance - Nonspendable					
Imprest Cash	$ 85,655				$ 85,655
Advances to Other Funds	100,000				100,000
Advances to Other Governments (100)	71,000				71,000
Advances to Other Governments (107)	16,000				16,000
Fund 105 - Economic Development Advances	1,119,346				1,119,346
Teeter Receivable	12,085,826				12,085,826
Prepaid Items	175,301				175,301
Total Nonspendable	**$ 13,653,128**	**$ -**	**$ -**	**$ -**	**$ 13,653,128**
Fund Balance - Restricted					
Fund 106 - Tax Loss Reserve	$ 5,190,143				$ 5,190,143
Total Restricted	**$ 5,190,143**	**$ -**	**$ -**	**$ -**	**$ 5,190,143**
Fund Balance - Committed					
Total Committed - Other	$ 1,435,527				$ 1,435,527
Total Committed - Capital Acquisition	225,766				225,766
Total Committed	**$ 1,661,293**	**$ -**	**$ -**	**$ -**	**$ 1,661,293**
Fund Balance - Assigned					
Contingency (General Fund Reserve Policy)	$ 16,675,000			$ 988,000	$ 17,663,000
Reitrement Obligation	7,410,573		(1,477,903)	1,389,427	7,322,097
Teeter Plan	21,117,046				21,117,046
Carryover Appropriations (100) - Funds Available	11,341,156		(11,341,156)		-
Carryover Appropriations (107)	149,645		(149,645)		-
Encumbrances (100)	4,071,113		(3,888,703)		182,410
Encumbrances (105)	45,024		(45,024)		-
Assigned - Budget Balancing	6,736,011		(6,736,011)		-
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 IBP	20,000,000		(4,199,752)		15,800,248
Assigned - Debt Service Reserve	600,000				600,000
Assigned - Fair Value Adjustments	1,810,674				1,810,674
Assigned - Future Budget Balancing	5,190,116				5,190,116
Assigned - Housing and Community Development (Gray)	1,356,000		(1,356,000)		-
Assigned - Library Projects	2,000,000		(1,329,664)		670,336
Assigned - Performance Visioning Carryover Savings	12,391,537	(747,670)	(11,643,867)		-
Revenue Stabilization	23,000,000				23,000,000
Prior Period Adjustment	(1,305,024)				(1,305,024)
Total Assigned Other	48,588,007	200,000	(8,000,000)		40,788,007
Total Assigned	**$ 195,176,878**	**$ (547,670)**	**$ (50,167,725)**	**$ 2,377,427**	**$ 146,838,910**
Fund Balance - Unassigned					
General Fund (100)	$ 1,904,006	$ 547,670	$ 2,354,013	$ 3,855,274	$ 8,660,963
Economic Development Bank (105)	485,160	-	(195,000)		290,160
Community Development Bank (107)	2,576,653		(2,000)	(35,000)	2,539,653
Total Unassigned	**$ 4,965,819**	**$ 547,670**	**$ 2,157,013**	**$ 3,820,274**	**$ 11,490,776**
Total Fund Balance	**$ 220,647,261**	**$ -**	**$ (48,010,712)**	**$ 6,197,701**	**$ 178,834,250**

Cash Review

General Fund Overall Cash Position

General Fund		Fiscal Year 2018-2019		Fiscal Year 2019-2020		Variance
Beginning Cash Balance	$	174,913,659	$	193,548,915	$	18,635,256
Midyear Cash Balance (as of December 31)	$	140,163,870	$	136,735,115	$	(3,428,755)

The Fiscal Year 2019-2020 beginning cash position of $193.5 million represents an increase of $18.6 million over the prior year beginning balance. This is largely due to an increase in Assigned Fund Balance at the end of Fiscal Year 2018-2019 representing strategic savings for exposures in upcoming budget years. As of midyear, the General Fund cash balance is $136.7 million, a decrease of $3.4 million in cash over that identified at Midyear 2018-2019. This is primarily due to the planned use of fund balance in Fiscal Year 2019-2020.

Special Revenue Funds Overall Cash Position

Special Revenue Funds		Fiscal Year 2018-2019		Fiscal Year 2019-2020		Variance
Beginning Cash Balance	$	153,707,655	$	144,262,114	$	(9,445,541)
Midyear Cash Balance (as of December 31)	$	170,159,688	$	164,422,890	$	(5,736,798)

As of midyear, the Special Revenue Funds have a positive $164.4 million compared to $170.2 million for the same period last fiscal year. The variance of $5.7 million is primarily due to changes in Behavioral Health and Recovery Services. Specifically, the department has a positive cash balance of $7.6 million compared to the December 31, 2018, positive balance of $19.7 million in its primary budget unit. The $12.1 million decrease in cash can be attributed to the timing differences among Federal and State revenue allocations/advances and actual incurred costs, increased expenditures in mental health contract costs in Short Term Residential Therapeutic Program (STRTP) services and Transitional Board and Care placement costs. Other adjustments in cash position across Special Revenue departments net an increase of $6.4 million.

Capital Projects Funds Overall Cash Position

Capital Project Funds		Fiscal Year 2018-2019		Fiscal Year 2019-2020		Variance
Beginning Cash Balance	$	3,542,762	$	3,817,516	$	274,754
Midyear Cash Balance (as of December 31)	$	3,581,758	$	3,501,924	$	(79,834)

As of midyear, the Capital Projects Funds have a positive cash balance of $3.5 million compared to a positive cash balance of $3.6 million for the same period last year. The decrease of $79,834 is primarily attributable to increased lease costs for space at 801 10th Street and a decrease in revenue received from court fines and fees.

Enterprise Funds Overall Cash Position

Enterprise Funds	Fiscal Year 2018-2019	Fiscal Year 2019-2020	Variance
Beginning Cash Balance	$ 43,049,350	$ 57,972,192	$ 14,922,842
Midyear Cash Balance (as of December 31)	$ 44,609,655	$ 52,702,043	$ 8,092,388

As of midyear, the Enterprise Funds have a positive cash balance of $52.7 million compared to a positive cash balance of $44.6 million for the same period last year. The variance of $8.1 million is primarily attributable to an increase in the Inter-Governmental Transfer (IGT) revenue received from the Health Plans as a result of changes in the Department of Health Care Services IGT payment computation methodology as well as efficiencies created in the receipt of patient accounts receivable in Health Services Clinic & Ancillary Services. Public Works Transit saw an increase in its cash balance due to increases in federal and local funding as well as the timing of when funds were received. These increases in cash were offset by a decrease in Environmental Resources Fink Road Landfill due to cell construction and installation of an expanded gas collection and control system.

Internal Service Funds

Internal Service Funds	Fiscal Year 2018-2019	Fiscal Year 2019-2020	Variance
Beginning Cash Balance	$ 51,164,622	$ 59,434,470	$ 8,269,848
Midyear Cash Balance (as of December 31)	$ 51,509,557	$ 59,511,877	$ 8,002,320

As of midyear, the Internal Service Funds cash balance is $59.5 million compared to $51.5 million for the same period last fiscal year. The variance of $8 million is primarily attributed to the following:

- CEO-Medical Self-Insurance - Medical Self-Insurance has a cash balance of $23.3 million as of midyear compared to the balance of $16 million from the same period last year. The $7.3 million increase to cash balance is due to a 5.5% increase to medical rates revenue effective January 1, 2019, and medical claims savings from: receiving a very large amount of stop-loss insurance reimbursements; the transition from a very costly Bay Area specialized treatment hospital to a comparable Bay Area hospital with a much higher quality rating and considerably lower negotiated rates; and a delay in processing a significant amount of medical claim payments during November and December 2019.
- CEO-Workers' Compensation – Workers Compensation has a cash balance of $24 million as of midyear compared to a balance of $23.3 million from the same period last year. The $688,176 increase to cash is due to an increase in Interest revenue, a 3% increase in Internal Service Fund revenues effective July 1, 2019, and expenditure savings in Workers' Compensation claim expenses.
- Information Technology Central (ITC) – ITC has a positive cash balance of $3.1 million as of midyear compared to a cash balance of $2.4 million from the same period last year. The variance of $618,740 is primarily attributable to a transfer of $1 million from a General Fund Assignment for Enterprise and Technology Upgrades to ITC to fund Countywide IT consulting services.
- Other adjustments in cash position across Internal Service Funds departments net a decrease of approximately $600,000.

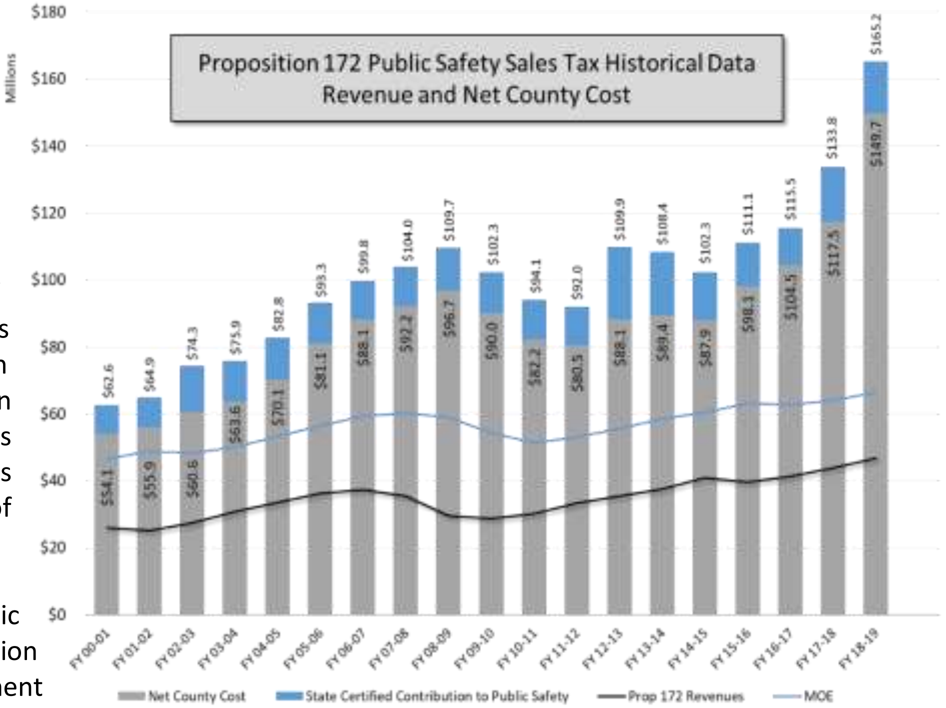
Challenges and Opportunities

Supporting Strong and Safe Neighborhoods

Public Safety Sales Tax (Proposition 172) Update

The Final Budget included a Proposition 172 chart that reflected three metrics for Proposition 172 revenue: Net County Cost, Prop 172 Budgeted Revenues, and Maintenance of Effort (MOE). The following chart is updated and includes a fourth metric: State Certified Contribution to Public Safety, which represents the total amount of funding that is reported to the State in support of Public Safety departments.

The County's contribution to Public Safety Departments of $165.2 million far exceeds the Prop 172 requirement at the MOE level of $66.4 million.



2011 Realignment Update

The 2019-2020 Final Budget projected total 2011 Realignment revenue of $89.4 million which included estimated growth of $4.6 million. Actual growth was received in Fall 2019 in the amount of $4.8 million, an increase of $194,746. The increase in growth along with other right-sizing of base results in an updated projection of $89.7 million for the year, an overall increase of 329,473. According to the Governor's January budget 2011 Realignment revenue is projected to increase by 4.1% for public safety and by 3.7% for protective services.

Administrative Fees in Juvenile Delinquency (SB 190)

Effective January 2018, this Senate bill abolished all administration fees in juvenile delinquency cases. Probation stopped assessing the fees in November 2017. As of 2019, 36 counties are no longer collecting on old juvenile fees and 23 counties have chosen to write-off all prior outstanding accounts (those no longer collecting include Merced, San Joaquin, Sacramento, Monterey, Kern and Fresno). The total debt still outstanding in Stanislaus County is $6.7 million for Juvenile Hall and/or Juvenile Public Defender fees, of which approximately $116,000 is collected annually. There are a total of 3,456 accounts and the average account balance is $1,945. This issue is being analyzed by the Department and the Chief Executive Office and a recommendation to the Board of Supervisors for our local position is forthcoming. Note: SB 1290 was just introduced to the legislature as a 2020 bill, which would vacate all juvenile fees imposed prior to January 1, 2018.

Downtown Modesto Courthouse Property

The State of California has completed the design of the new Modesto Courthouse project and the $279.4 million project is expected to begin construction prior to July 1, 2020, with occupancy planned in mid-2023. The Superior Court will entirely vacate the existing 109,435 square foot Modesto Courthouse and Hall of Records upon opening of the new project located about two blocks away. The existing Courthouse occupies the original site of the County's main office building bounded by 11th and 12th Streets, and "H" and "I" Streets. The parcel was divided into four parts in 2009 when the County transferred ownership of the Courthouse (Parcels C and D) to the State of California, while retaining the Downtown Men's Jail (Parcel B) and the Courthouse lawn along I Street (Parcel A). The site has strategic significance as the center of downtown Modesto's core business district, with great potential for development of the entire block to enhance downtown Modesto. City and County leaders are collaborating on a Board of Supervisors and City Council Resolution proclaiming the site as a strategic redevelopment site targeted for public and/or private investment to further the City's interests in establishing a vibrant, Modesto and successful Downtown.

Emergency Operations Center-Exterior Security Project

The Emergency Operations Center, located at 3705 Oakdale Road, adjacent to the Stanislaus 911 Emergency Dispatch Center and the Office of Emergency Services, is in need of several security upgrades. Enhancements of the facility's perimeter fence and gate are needed to protect critical infrastructure and ensure the safety of staff. Other upgrades include the modernization of the fire-life safety and video surveillance systems. The cost of this project is estimated at $2 million. County Leadership will continue conversations with representatives from City of Modesto, who are co-owners in this facility.

Harvest Hall Refresh/Alternate Emergency Operations Center (EOC) Project

In December 2017 the Board of Supervisors approved a contract with Brown, Reynolds, Waterford of San Francisco, CA, to site an Alternative Emergency Operations Center and develop plans to refresh the County's Harvest Hall. Harvest Hall has been selected as the site of the new Alternate Emergency Operations Center. The schematic design is now complete and the project to fully re-fresh and upgrade the Harvest Hall and also design and equip it as the County's alternative Emergency Operations Center (EOC) is estimated to cost approximately $5 million to completely transform the Harvest Hall built in 1999 into a modern, effective, efficient and multi-use facility. Cost options, scenarios and financial strategies are in development for future Board of Supervisors consideration. On a positive note, the University of California Cooperative Extension Master Gardner program is planning a landscaping refreshment project, using the volunteer workforce of the Master Gardner program to improve the landscaping plan at the Agricultural Center.

Juvenile Courts at the Juvenile Justice Center

The New Modesto Courthouse project to be constructed by the State of California beginning in 2020 will centralize the functions of the Superior Court of California, Stanislaus County in the downtown Modesto block bounded by 10th and 11th Streets, "G" and "H" Streets. The new project is scheduled to be occupied by mid-2023. Among the operational changes now being considered is the relocation of Juvenile Court services currently conducted at the County's Juvenile Justice Center at 2215 Blue Gum Avenue. Two courtrooms housing Juvenile Delinquency Court and Juvenile Dependency Court are housed at the Juvenile Justice Center.

The transportation of youth in custody will have a significant impact in safety to staff, the youth, and the public; will result in significant additional staffing requirements; and substantial additional operating costs if the Juvenile Delinquency Court is moved away from its current location within the Juvenile Justice Center.

An alternative approach would be to improve the existing Juvenile Courtrooms and security measures with initial proposals estimating the cost at approximately $7 million. The Judicial Council staff is currently looking at options for this commonsense approach to juvenile delinquency justice. Another meeting is being scheduled in March 2020. Negotiations are currently underway with the goal of securing a commitment of the California Judicial Council and the local Superior Court to continue the practice of hearing Juvenile Delinquency cases at the Juvenile Justice Center.

Public Safety Center – Fire Life Safety, Secure Electronics, and Video Surveillance Project

This project, initiated by a declaration of emergency by the Board on September 10, 2019, includes the mitigation of water damage discovered subsequently in the mechanical chases. The additional work is covered by insurance policy and a plan to abate and repair the damage is being developed by Belfor USA Inc., in collaboration with County staff and the County insurer; work is expected to begin in March 2020.

Sheriff's Gun Range Project

Currently, the Stanislaus County Sheriff's Office uses the City of Modesto Police Department's gun range for training when it is available. The Stanislaus County Sheriff has listed the need for a County gun range as a top safety/training need. The CEO Capital Projects division, in collaboration with the Stanislaus County Sheriff's Office and Probation is developing initial plans and programming options for this project and early cost estimates for the project are in development.

Supporting Community Health

1991 Realignment Update

The 2019-2020 Final Budget projected total 1991 Realignment revenue of $53 million which included estimated growth of $1.4 million. Actual growth was received in fall 2019 in the amount of $522,839, a decrease of $865,991. The decrease in growth along with other impacts to base results in an updated projection of $51.1 million for the year, an overall decrease of $1.9 million. The decrease is related to right-sizing within the Social Services Programs for accelerated growth payments received in prior years in excess of the actual amount due to the county. According to the Governor's January budget, 1991 Realignment funding tied to sales tax revenue is projected to increase by 3.4%, with the VLF portion projected to increase by 3% in 2020-2021.

Behavioral Health and Recovery Services

Behavioral Health and Recovery Services (BHRS) has been experiencing rising costs as well as increased placement demand over the past few years that are very quickly outpacing available revenue, placing an unsustainable demand on the use of departmental fund balance. While the Department does not have a current unmet need at midyear, adjustments increasing the use of reserves will largely deplete fund balance in the primary departmental budget by year end.

Mental Health Services Act (MHSA) funds have been used to expand services and support to address the homeless issue along with other program offerings are projected to meet a similar fate within the next few years as the use of unrestricted reserves is anticipated to outpace annual receipts.

Long-term strategic visioning is underway, led by the Interim Director and supported by the Chief Executive Office. This is critical to the sustainable provision of efficient and cost-effective program services for the Department. However, more immediate action will be required to address urgent needs in Fiscal Year 2020-2021 and the Department is evaluating identified mandates and requirements for programming. The Department is working closely with the Chief Executive Office, Auditor's Office, and County Counsel to address these concerns through a task force that relies on the fiscal, human resources, legal, organizational, technical, and leadership expertise to guide the development of a mitigation plan. Additional briefings with the Board over the course of the next several months will inform Supervisors as to the details and seek support for the plan as it is developed in preparation for the coming fiscal year.

Community Services Agency

Housing and Homeless Division – The Community Services Agency (CSA) has worked alongside the Chief Executive Office (CEO) and Behavioral Health and Recovery Services (BHRS) on several efforts within the community to increase access to services and aid in the sheltering of those experiencing homelessness. The addition of a new Housing and Homeless Division in CSA will provide the necessary structure for these efforts and is supported by the CEO's office through its Deputy Executive Officer serving a temporary dual role as Assistant Director over the division.

Adult Programs – In-Home Supportive Services (IHSS) and Public Authority – The Department is working through the following challenges in IHSS and Public Authority:

- The State allocation for IHSS Administration does not fully fund current State-mandated service levels and the Department is currently operating under an approved spending plan, closely monitoring staffing levels and operating expenses to ensure the allocation levels are not exceeded.
- The Department is taking a conservative approach based on information received from the California State Association of Counties (CSAC) reflecting a possible decrease to the IHSS maintenance of effort (MOE). If the IHSS MOE is not reduced and comes in at the higher amount, the Department will work with the CEO to evaluate the County General Fund impact.
- The labor agreement between IHSS Public Authority of Stanislaus County and the United Domestic Workers of America (UDWA) representing the Stanislaus County IHSS Providers expired on June 30, 2019. The parties have reached a tentative agreement and are awaiting ratification.
- The State Budget includes the restructure of the IHSS Administration MOE to $1.6 billion in Fiscal Year 2019-2020 and State General Fund of $296.7 million. There is no inflation factor included in Fiscal Year 2019-2020 but will have a 4% inflation in Fiscal Year 2020-2021 and thereafter. Effective January 1, 2020, when the State minimum wage reached $13 per hour, the maximum amount of paid sick leave accrued increased to 16 hours.

Health Services Agency/Public Administration Building/Future of County Center II

On October 1, 2019, the Board of Supervisors approved a Bridging Design Contract with Dewberry Architects Inc., of Sacramento, California, to plan, site, program, and design a new Health Services Agency Administration/Public Health facility. The main campus for the Stanislaus County Health Services Agency (HSA) is located at the eastern portion of County Center II at 830 Scenic Drive in Modesto, California. Original facilities on the campus date back decades, with the last major infrastructure improvements occurring in 1978. This was also the site of the County Hospital until 1997. Due to a series of emergencies and the constant repairs required to maintain the aging and deteriorating facilities at County Center II, the Board of Supervisors authorized the relocation of most HSA programs to County Center III, located at 917 Oakdale Road in Modesto, California, in 2018. Currently, only limited Public Health programs and the Family and Pediatric Health Center remain at County Center II. The project team is currently reviewing site recommendations from Dewberry, as well as programming and cost estimates for the new facility. The team is also exploring adjacency advantageous and partnership opportunities with other agencies. A funding strategy for this facility has been approved using Securitized Tobacco funds, HSA fund balance, and Public Facilities Fees. Concurrent with the design of this facility, the County has also issued a Request for Proposals for Asset Management firms to assist the County to plan for the best future purpose of County Center II. This study will consider both public and private options, as well as the cost of demolishing vacant buildings on the property.

Developing a Healthy Economy

Agricultural Center – Parking Lot Addition

Additional parking areas are needed at the Agricultural Center. The complex shares parking between the Parks and Recreation Department, Agricultural Commissioner’s Office, Department of Environmental Services, Animal Services Agency, Ray Simon Training Center, and Harvest Hall special events.

Promoting First Rate Learning

Library Projects

The Turlock Branch Library Expansion and Renovation Project Design-Build agreement with Roebbelen Contracting Inc., was approved by the Board of Supervisors on November 19, 2019, within the approved financing strategy. Construction is scheduled to begin in March 2020. The Project Manager is preparing an agenda item for the Board of Supervisors to consider and approve a Design-Build agreement, also with Robbelen Contracting Inc., on February 25, 2020, for the Empire Branch Library Replacement Project. Funding for this project includes the use of Library fund balance, Public Facilities Fees, and fund balance from the General Fund, which has been assigned for this purpose.

Delivering Efficient Public Services

Documentary Transfer Tax Overpayment to Cities

On January 8, 2020, the Chief Executive Officer sent a letter to the nine incorporated cities requesting repayment of Documentary Transfer Tax Revenues paid to them in error, in the total amount of $928,624.93.

The overpayment was discovered by the Auditor Controller while completing a review of Trust Funds in the Clerk-Recorder's Office. Discussions with the cities continue, and options for repayment plans are available. In the absence of alternative payment options being requested, the Auditor Controller has the ability, consistent with standard accounting practice, to reduce future payments to the cities to recover the outstanding debt. Staff are hopeful that agreements will be settled with the various cities soon. While continuing to pursue the outstanding funds owed to the County, the CEO and Auditor Controller are intent on implementing procedures to ensure that errors such as this are not repeated. In partnership with Department Heads and staff, current accounting and budget processes are being reviewed to ensure that all Trust Funds are appropriately reconciled and accounted for, revenues are deposited and recognized to maintain audit trails, and that department records are compliant with requirements issued by the State Controller's Office.

Overpayment Amounts	
City	Outstanding Amount
Ceres	$71,604.43
Hughson	$12,877.87
Modesto	$367,427.79
Newman	$10,680.52
Oakdale	$166,030.92
Patterson	$66,001.16
Riverbank	$36,917.30
Turlock	$188,324.24
Waterford	$8,760.70
Total overpayment FY 2014-2015 to FY 2016-2017	**$928,624.93**

Enterprise Resource Project

The ERP Committee began meeting in March 2017 to assess the enterprise resource platforms in use in the County, which are Oracle and Peoplesoft. Both systems have been in place for over 20 years. The ERP Committee is led by the Auditor Controller and includes representatives from the Chief Executive Office, Information Technology Central and General Services Agency. The Board of Supervisors has previously approved funding to support a System Needs Assessment, which was completed by the Government Finance Officers' Association (GFOA). GFOA has recommended a phased approach to system replacement in which the County would work to upgrade the financial management system with budget capability now. Oracle Cloud advantages include: security, streamlined transition of data, time-efficient conversion, and excellence in the industry. A second GFOA contract is currently being finalized for consultation on system specifications and scope of work for vendors to provide cost proposals for the Financial Management System. GFOA will also negotiate rates with Oracle and benchmark proposals for cost and viability.

A recommendation will be brought to the Board of Supervisors later this year, to identify next steps in the phased approach to ERP, which could include a sole source option with Oracle or an RFP for a new vendor for Financials, along with a time line should a phased approach ultimately be recommended for the Human Resources Management System (HRMS). Note there are several advantages of phasing HRMS which includes the ability of the organization to focus on one upgrade at a time which increases the potential for project success and reduces immediate cost impacts. Research indicates that PeopleSoft support and upgrades are assured for the next 10 years and staff rely upon and appreciate the current

NEOGOV functionality. The Auditor Controller has requested to establish a Project Budget at Midyear 2019-2020 by reducing the Auditor budget and transferring funds previously approved by the Board to a new Internal Service Fund. The target for project implementation, once funding strategies are identified, is 2021.

IT Strategy and Vision for the Future

The County has contracted with Gartner Inc, and in January, began a Countywide assessment of the current IT environment with interviews of all County Department Heads to understand how IT supports their business needs. The assessment is scheduled to be completed in June 2020. Using the results of the assessment, ITC will develop a proactive Strategic Plan that will ensure an IT environment that is secure and nimble. During fiscal year 2019-2020 funding will support consultant assistance to complete the assessment while operational impacts for IT efficiencies will be deferred until to the next two-year budget.

State Budget Impacts

Overall, California's economy remains strong and the outlook continues to be positive with State General Fund revenue projected to increase 3.8% in 2020-2021 while total State General Fund (SGF) expenditures are projected to grow 2.2%, with the majority of new spending devoted to one-time purposes. The Governor's Budget continues to grow reserves in the Rainy-Day Fund and Safety Net Reserve, along with funds set aside for Public School System Stabilization and economic uncertainty/ contingencies; combined at a total $21 billion for the upcoming budget year.

Homelessness strategies include a one-time State General Fund (SGF) investment of $750 million to establish the California Access to Housing and Services Fund to be administered by the California Department of Social Services; funds will flow through performance-based contracts between the State and regional administrators for rent subsidies, more dwelling units, and stabilizing board and care facilities. New in the budget is the Medi-Cal California Healthier for All program in which the Governor proposes to invest $348 million SGF in 2020-2021 to streamline and improve the state's Medi-Cal program; includes system integration, data sharing and collection efforts with a focus tied to efforts to combat homelessness.

Adverse Childhood Experiences Training and Campaign - $10 million one-time SGF to develop the public awareness campaign tasked to the Office of the Surgeon General.

In-Home Supportive Services (IHSS) funding in the State budget will support the minimum wage increase to $13 per hour on January 1, 2020 and $14 per hour on January 1, 2021, and forecasts average monthly caseload growth statewide of 4.5% over the prior year; program enhancements include: Social Worker Assessment Training, paid sick leave for Providers (increasing from 8 hours to 16 hours beginning July 1, 2020), and direct deposit/payroll card enrollment.

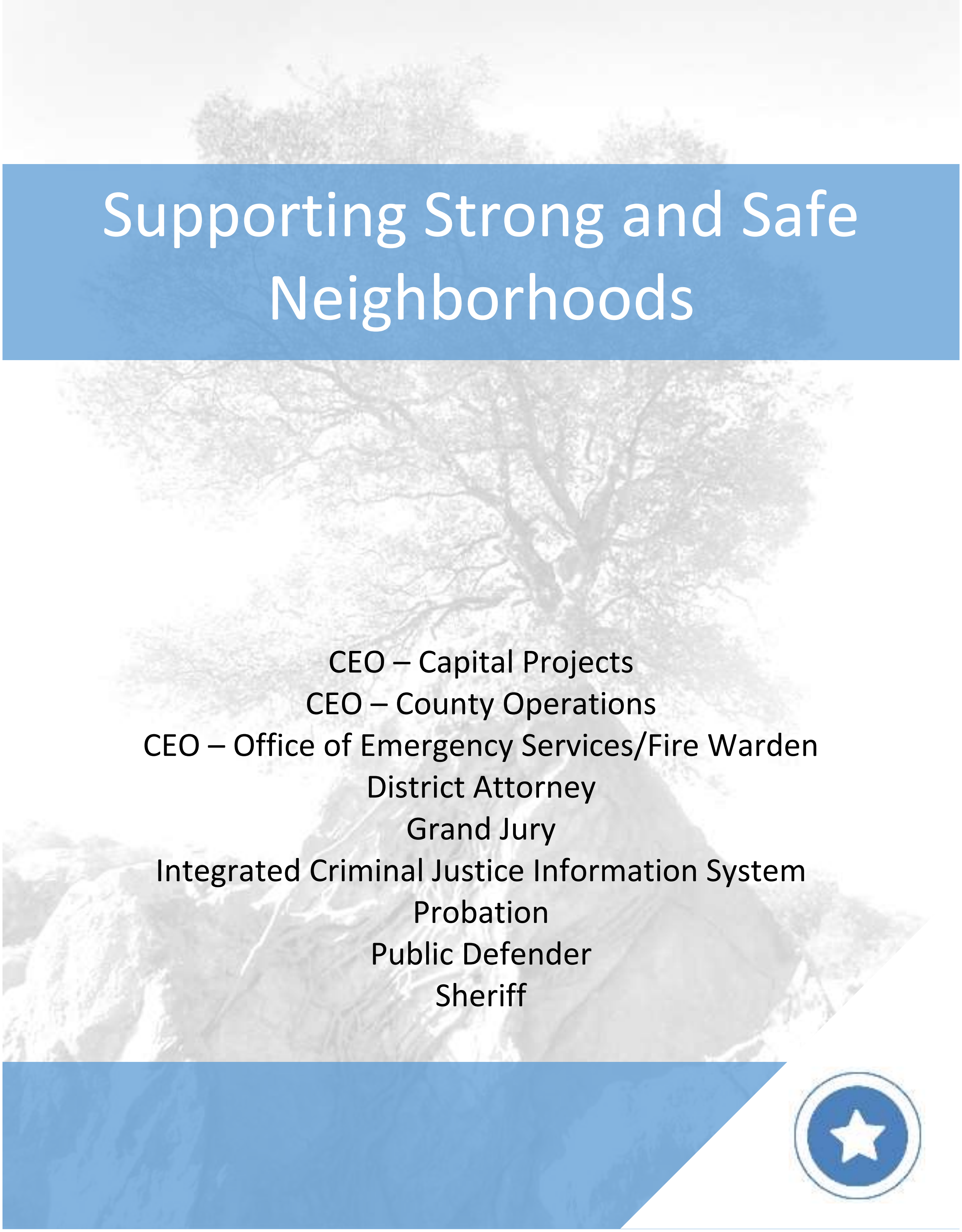
Probation will be impacted by a reduction in probation term lengths for both felony and misdemeanants to two years, with a focus and investment on more intensive supervision and services for misdemeanants. Approximately $11 million SGF increase to the Community Corrections Performance Incentive Grant program statewide is proposed to augment each county's funding to stabilize the program going forward.

Indigent Defense – Approximately $4 million SGF is proposed to expand the Office of the State Public Defender to include training and technical assistance for attorneys providing indigent defense in the State; also $10 million SGF one-time for the Board of State and Community Corrections to supplement local funding for indigent criminal defense.

Juvenile Justice Reorganization – State level budget transfers are proposed to continue the transition of the Division of Juvenile Justice from California Department of Corrections and Rehabilitation (CDCR) to the new Department of Youth and Community Restoration within HHS effective July 1, 2020.

Cannabis - the Governor proposes to consolidate the three cannabis licensing entities into a single Department of Cannabis Control by July 2021, affecting the Bureau of Cannabis Control, the Department of Food Agriculture, and the Department of Public Health.

Multiple proposals and issues will be tracked through the May Revise and subsequent adoption of the State Budget; staff will report on impacts, opportunities and challenges related to the State Budget in future reports to the Board of Supervisors.



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.

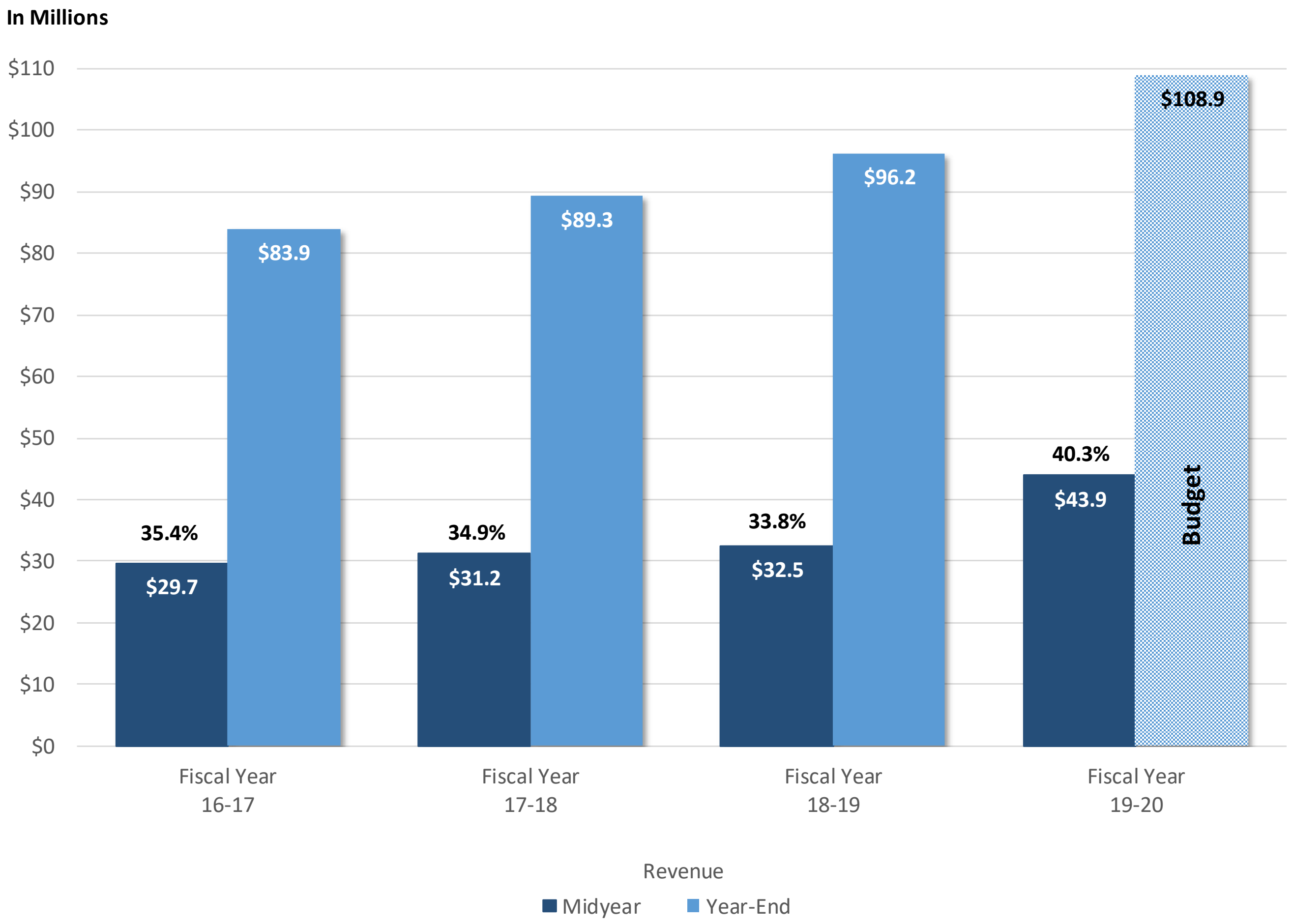
Overall, the departments within the priority *Supporting Strong and Safe Neighborhoods* are on track to end the year within budget and in a positive fiscal position.

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, 2019, actual revenue collected is $43.9 million, which represents 40.3% of the estimated annual revenue. This is higher than the range when compared to the midyear point of the prior three years when collections ranged from 33.8% to 35.4% of the final actual revenue.

The higher trending revenue collection is due to a one-time increase of $12.5 million granted by the State of California through AB 109, signed by Governor Newsom on September 27, 2019. The funds have been allocated to the Stanislaus County Office of Emergency Services for emergency communications equipment and infrastructure. As of December 31, 2019, the $12.5 million in revenue has been received and is recognized at Midyear.

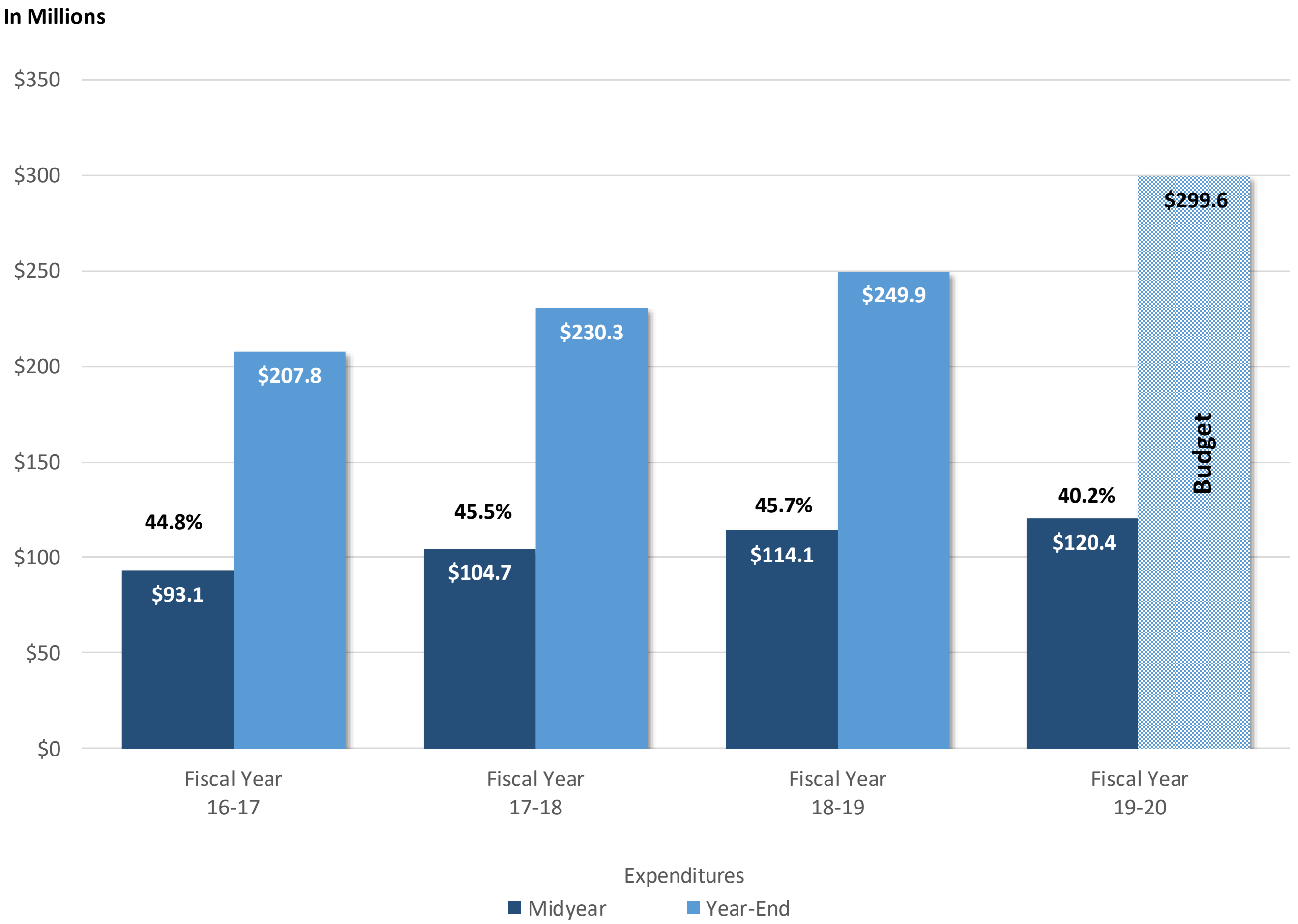
Supporting Strong and Safe Neighborhoods Four-Year Revenue Comparison



Departmental Expenditures

As of December 31, 2019, expenditures are $120.4 million, representing 40.2% of the budgeted appropriations. This is below the range when compared to the midyear point of the prior three years when expenditures ranged from 44.8% to 45.7% of the final actual expenditures. This is primarily due to the $12.5 million appropriated by the Office of Emergency Services from a one-time state grant to be used for communications equipment and infrastructure which have not yet been allocated for spending, along with delays in departmental spending of their Performance Visioning Carryover Savings which are anticipated to occur in the last half of the fiscal year.

Supporting Strong and Safe Neighborhoods Four-Year Expenditures Comparison



Midyear Issues and Recommendations

The recommendations contained in this report for Strong and Safe Neighborhoods will increase appropriations by $1,357,670, which includes a decrease of $423,102 as a technical correction for a retirement replacement benefits adjustment posted as a post-closing entry to Fiscal Year 2018-2019 for which previously established appropriations are not necessary in Fiscal Year 2019-2020. The budget adjustments are funded by $1,086,256 in department revenue, the use of $957,995 in department fund balance and result in a decrease of $686,581 to General Fund Contribution.

CEO – Capital Projects Fund

Courthouse Construction Fund – It is recommended to increase appropriations by $42,694 to support the increased costs of the annual lease for the 4th and 6th floor County Courthouse. In addition, a decrease in estimated revenue of $180,961 is recognized to align with the State Controller's Office audit associated with the under remitted parking surcharges for the period of July 1, 2006 – June 30, 2014. The increase in appropriations and decrease in estimated revenue will be funded by $223,655 increase in the use of fund balance. As of July 1, 2019, Courthouse Contruction Fund had $3,080,818 in available fund balance. The additional use of fund balance, along with $300,000 included for use in legal budget, will leave an anticipated $2,557,163 in departmental fund balance at year end.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Courthouse Construction Fund	($180,961)	$42,694	$223,655	$0	Increase appropriations and decrease estimated revenue to support the increased costs of the annual lease for the 4th and 6th floor County Courthouse and correction to the audit finding for the period of July 1, 2006 – June 30, 2014, funded by an increase in the use of fund balance.
Total	**($180,961)**	**$42,694**	**$223,655**	**$0**	

Recommendation: It is recommended to increase appropriations by $42,694 and decrease estimated revenue by $180,961, funded by an increase in the use of fund balance of $223,655.

CEO – County Operations

Department of Justice Drug and Alcohol – An increase in appropriations of $14,711 is recommended to support the cost of the outstanding drug and alcohol invoices from Doctors' Medical Center (DMC) for Fiscal Year 2018-2019. The increase in appropriations is funded by an increase in estimated revenue of $11,774 and the use of fund balance of $2,937. Fund balance on July 1, 2019, was $224,145. The additional use of fund balance along with $70,000 included for use in legal budget, will leave an anticipated $145,919 in departmental fund balance at year end.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Department of Justice Drug and Alcohol	$11,774	$14,711	$2,937	$0	Increase estimated revenue and appropriations to support the Blood and Alcohol invoices from Doctor Medical Center for Fiscal Year 2018-2019, funded by an increase in the use of fund balance.
Total	**$11,774**	**$14,711**	**$2,937**	**$0**	

Recommendation: It is recommended to increase appropriations by $14,711 funded by an increase in estimated revenue of $11,774 and $2,937 in department fund balance.

CEO – Office of Emergency Services / Fire Warden

The Office of Emergency Services has requested funding for First Watch Software. The software will provide real-time situational awareness data from Stanislaus Regional 911 Computer Aided Data on all fire emergency call responses in Stanislaus County. To support the purchase of the software, a transfer of $72,202 in appropriations from salaries and benefits to fixed assets is included and is funded with the Department's Performance Visioning Carryover Savings.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
CEO - OES/Fire Warden	$0	($72,202)	$0	($72,202)	Transfer appropriations from Performance Visioning Carryover Savings to Fixed Assets for the purchase First Watch software.
CEO - OES/Fire Warden	$0	$72,202	$0	$72,202	Transfer appropriations from Performance Visioning Carryover Savings to Fixed Assets for the purchase First Watch software.
Total	**$0**	**$0**	**$0**	**$0**	

Recommendation: It is recommended to transfer $72,202 from Salaries and Benefits to Fixed Assets.

District Attorney

Auto Insurance Fraud Prosecution – The Department received less funding than anticipated from the California Department of Insurance in Fiscal Year 2019-2020. It is recommended to decrease estimated revenue by $48,325 and appropriations by $33,377. These adjustments leave a balance of $14,948 which will be funded by $3,181 in available fund balance and $11,767 increased Net County Cost. The increased Net County Cost is offset by a reduction in the Criminal Division budget. The funds pay for a Criminal Investigator, their training and an audit 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 $15,073 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 $15,073 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, 2019. 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.

Elder Abuse Advocacy and Outreach – A technical adjustment to increase appropriations by $394 to fully support staff training costs. This adjustment is funded with department fund balance.

Real Estate Fraud – Increased fees will generate additional revenue in this budget of $23,297. Costs projected to support salaries of a Deputy District Attorney and a Criminal Investigator are projected to exceed the legal budget by $47,715. The additional appropriations are funded by the increased fee revenue, $43 in available fund balance and an increased Net County Cost of $24,375. The increased Net County Cost is offset by an equal reduction in the Criminal Division budget. These adjustments will allow for full cost support of Real Estate Fraud unit staff.

Underserved/Unserved Victim Advocacy and Outreach Program – Midyear projections show higher than budgeted overtime and compensation time costs than were previously projected. The department has available fund balance to cover an appropriation increase of $12,150.

Violence Against Women Program – A decrease in appropriations of $823 is necessary in this budget in order to remain within available funds for this program. This decrease is immaterial to operations and will adjust the budget from the current $270,060 budget level to $269,237. The full impact will result in slightly fewer funds available for program supplies.

Criminal Division – An increase in estimated revenue of $131,120 is included to cover the transfer in of $15,073 from the Consumer Fraud budget, and 2011 realignment growth funds received in the Fall for Fiscal Year 2018-2019. A decrease in appropriations of $36,142 will offset increased Net County Costs in the Auto Insurance Fraud Prosecution and Real Estate Fraud budgets.

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 2019, too late to include in the County First Quarter report. It is recommended to increase estimated revenue by $129,717 for the additional 2011 realignment growth funds received which are offset by a reduction in Veteran’s court revenue of $13,670. This increased revenue results in an equal offset to the General Fund Contribution and returns $116,047 to the County General Fund.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
District Attorney - Auto Insurance Fraud Prosecution	($48,325)	($33,377)	$3,181	$11,767	Increase estimated revenue and appropriations to match award amout received from the Department of Insurance. Use of available fund balance and increased Net County Cost will support projected salaries and benefits cost of a Criminal Investigator assigned to the Auto Insurance Fraud Unit. Net County Cost increase offset by savings in the Criminal Division budget.
District Attorney - Consumer Fraud Prosecution Program	$15,073	$15,073	$0	$0	Increase estimated revenue and appropriations to reflect unanticipated funds received from civil and criminal remedies against consumer fraud and transfer these funds to the criminal division budget.
District Attorney - Elder Abuse Advocacy &	$0	$394	$394	$0	Increase appropriations for projected program costs to be offset with available fund balance.
District Attorney - Real Estate Fraud	$23,297	$47,715	$43	$24,375	Increase estimated revenue and appropriations based on projected program need. Additional appropriations will fund salaries and benefits of the Real Estate Fraud Unit, funded by available fund balance and increased Net County Cost offset by savings in the Criminal Division budget.
District Attorney - Unserved/Underserved Victim Advocacy and Outreach Program	$0	$12,150	$12,150	$0	Increase appropriations for overtime and compensation time costs of Victim Advocates funded with fund balance.
District Attorney - Violence Against Women Program	$0	($823)	($823)	$0	Decrease appropriations for technical correction to match available fund balance.
District Attorney - Criminal Division	$0	($36,142)	$0	($36,142)	Decrease appropriations to generate Net County Cost savings used to offset increased Net County Cost in the Auto Insurance Fraud and Real Estate Fraud budgets.
District Attorney - Criminal Division	$116,047	$0	$0	($116,047)	Decrease estimated revenue for Veteran's Court that will not be realized offset by Increased estimated revenue for 2011 Realignment Growth funds received for Fiscal Year 2018-2019.
District Attorney - Criminal Division	$15,073	$0	$0	($15,073)	Increase estimated revenue through a transfer in from the Consumer Fraud Prosecution Program to offset salaries and benefits of staff assigned to the Consumer Fraud Unit.
Total	**$121,165**	**$4,990**	**$14,945**	**($131,120)**	

Recommendation: It is recommended to increase appropriations by $4,990 funded by an increase in estimated revenue of $121,165 and $14,945 in department fund balance, resulting in a decrease to Net County Cost of $131,120.

Probation

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 2019, too late to include in the County First Quarter report. It is recommended to increase estimated revenue in the following budgets: $836,302 in Juvenile Justice Crime Prevention Act and $81,797 in Youth Offender Block Grant. These are special revenue budgets used to support juvenile programs and the additional revenue will increase each budgets fund balance in the current fiscal year. In Local Community Corrections (LCC), 2011 realignment funds were less than was included in the legal budget and resulted in a decrease to estimated revenue of $795,012. The reduction to LCC does not result in any operational impacts in the current year and there is sufficient fund balance available to sustain planned operations. Growth funds were also received in the Institutions and Juvenile Commitment Facility budgets. These budgets are largely funded by the County General Fund and the additional 2011 Realignment Growth revenue results in reduced reliance on the County General Fund and results in a return of $670,838 to the County General Fund.

Juvenile Commitment Facility – The department has been working with staff from the General Services Agency since the beginning of the fiscal year to identify solutions for various facility challenges. The juvenile campus main parking lot has an ongoing flooding issue that makes parking conditions and general parking lot access extremely challenging during rainy days. Water accumulates and floods the parking lot limiting usable parking space. The department will work with the General Services Agency and contractors to fix the flooding issue in the coming months. An estimate of $1,196,800 for the repair has been secured and a transfer of appropriations from Salaries and Benefits to Operating Transfers Out is recommended to support the department in transferring PVCS funds to a capital project fund. The project fund will be used to manage the budget and payments related to the parking lot repair project.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Probation - Institutions	$448,204	$0	$0	($448,204)	Increase revenue for 2011 Realignment Growth funds received for Fiscal Year 2018-2019, resulting in decreased Net County Cost.
Probation - Juvenile Commitment Facility	$0	$1,196,800	$0	$1,196,800	Transfer in appropriations from Salaries and Benefits to Operating Transfers Out using Performance Visioning Carryover Savings.
Probation - Juvenile Commitment Facility	$0	($1,196,800)	$0	($1,196,800)	Transfer out appropriations from Salaries and Benefits to Operating Transfers Out using Performance Visioning Carryover Savings.
Probation - Juvenile Commitment Facility	$222,634	$0	$0	($222,634)	Increase revenue for 2011 Realignment Growth funds received for Fiscal Year 2018-2019, resulting in decreased Net County Cost.
Probation - Juvenile Justice Crime Prevention Act	$836,302	$0	($836,302)	$0	Increase revenue for 2011 Realignment Growth funds received for Fiscal Year 2018-2019, resulting in decreased use of fund balance.
Probation - Local Community Corrections	($795,012)	$0	$795,012	$0	Decrease revenue for 2011 Realignment Growth funds received for Fiscal Year 2018-2019, resulting in increased use of fund balance.
Probation - Youthful Offender Block Grant	$81,797	$0	($81,797)	$0	Increase revenue for 2011 Realignment Growth funds received for Fiscal Year 2018-2019, resulting in decreased use of fund balance.
Total	**$793,925**	**$0**	**($123,087)**	**($670,838)**	

Recommendation: It is recommended to increase estimated revenue by $793,925, decrease use of fund balance by $123,087, resulting in a decrease to Net County Cost of $670,838.

Staffing Recommendation: It is recommended to conduct a classification study of one Staff Services Analyst to determine if it is the correct classification for the current job duties and responsibilities assigned to this position.

Public Defender

The Public Defender received additional 2011 realignment growth funds of $1,316 in October 2019. These funds were not budgeted in the Adopted Final Budget. This is the net impact of 2011 realignment growth funds from Fiscal Year 2018-2019. The additional revenue will reduce the Department's General Fund contribution.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Public Defender	$1,316	$0	$0	($1,316)	Increase estimated revenue for 2011 Realignment Growth funds received for Fiscal Year 2018-2019, resulting in decreased Net County Cost.
Total	**$1,316**	**$0**	**$0**	**($1,316)**	

Recommendation: It is recommended to increase estimated revenue by $1,316 resulting in an equal decrease to Net County Cost.

Sheriff

Administration – The Fiscal Year 2018-2019 Adopted budget included $860,000, budgeted in a Department Appropriations for Contingency account, to replace an HVAC unit at the Sheriff Operations Center. The project is now ready to proceed, and the General Services Agency has requested that the funds be moved to a capital project fund. It is recommended that $860,000 in appropriations be moved from Department Appropriations for Contingency to Operating transfers out so that the department may be positioned to fund the project.

Court Security – An increase to appropriations of $604,795 is recommended to account for increases in salaries and benefits due to filling four previous part-time positions with full-time staff and the impact of the new Deputy Sheriff II classification. In October 2019, the Department received 2011 Realignment Growth funds for Fiscal Year 2018-2019 that were $141,962 lower than had been included in this budget. In December, the Department of Finance also distributed funds to various counties for new or reallocated judgeships and the Department received $116,667. As a result, estimated revenue is recommended to decrease a total of $25,295. These adjustments are supported with $615,295 in Departmental fund balance offset by an increase to County Match of $14,795 to fund higher projected costs for allocated charges. Note, subsequent research into the funding for new judgeships supports these monies being redirected to deferred revenue pending appointment of a new judge, and a revised MOU with the Courts. As a result, the department will monitor actual revenue and expenses between Midyear and Third Quarter and report back at the time, if additional adjustments are needed prior to year-end. With the redirection of $116,667 to deferred revenue, this budget will be balanced with Department fund balance of $731,962; inclusive of this adjustment, fund balance at July 1, 2020 is projected to be $395,429.

Detention - The Fiscal Year 2018-2019 Adopted budget included $1,440,000, budgeted in a Department Appropriations for Contingency account, to replace an HVAC unit at Sheriff Support Services and replace refrigeration and condenser units at the Detention facility. The project is now ready to proceed, and the General Services Agency has requested that the funds be moved to a capital project fund. It is requested that $1,440,000, in appropriations be moved from Department Appropriations for Contingency to Operating transfers out so that the department will be positioned to fund the Capital Project.

Drivers Training Program – An increase in estimated revenue of $20,000 is recommended for a Fiscal Year 2018-2019 academy class billed to the Commission on Peace Officer Standards and Training that was overlooked for billing last fiscal year. Midyear projections also show an increased trend for operating costs, including fleet repairs and maintenance due to the increasing age of the vehicle fleet and salary increases related to the addition of the Deputy Sheriff II classification. An increase in appropriations of $79,250 is recommended, funded by $20,000 in additional revenue and $59,250 in departmental fund balance.

Jail Commissary/Inmate Welfare – An increase in appropriations of $52,500 is recommended to fund higher than projected operating costs, along with an increase to the contract with Stanislaus Literacy

Center (SLC), to provide GED preparation and literacy instructions to inmates. The increase is funded with departmental fund balance.

Justice Assistance Grant – The Department has received award letters from the U.S. Department of Justice advising that the department has been awarded the 2017 and the 2019 Edward Byrne Justice Assistance grants. The BOS authorized the department to accept the grants if awarded via a Board Agenda Item dated September 26, 2017 for the 2017 grant of $169,479 and another on September 17, 2019 for the 2019 grant of $174,853. These federal grants benefit the Probation Department, Sheriff Department and Modesto Police Department, with Modesto Police Department receiving approximately 80% of the funds for law enforcement equipment. The 2017 grant expires on September 30, 2020 and the 2019 grant expires on September 30, 2022.

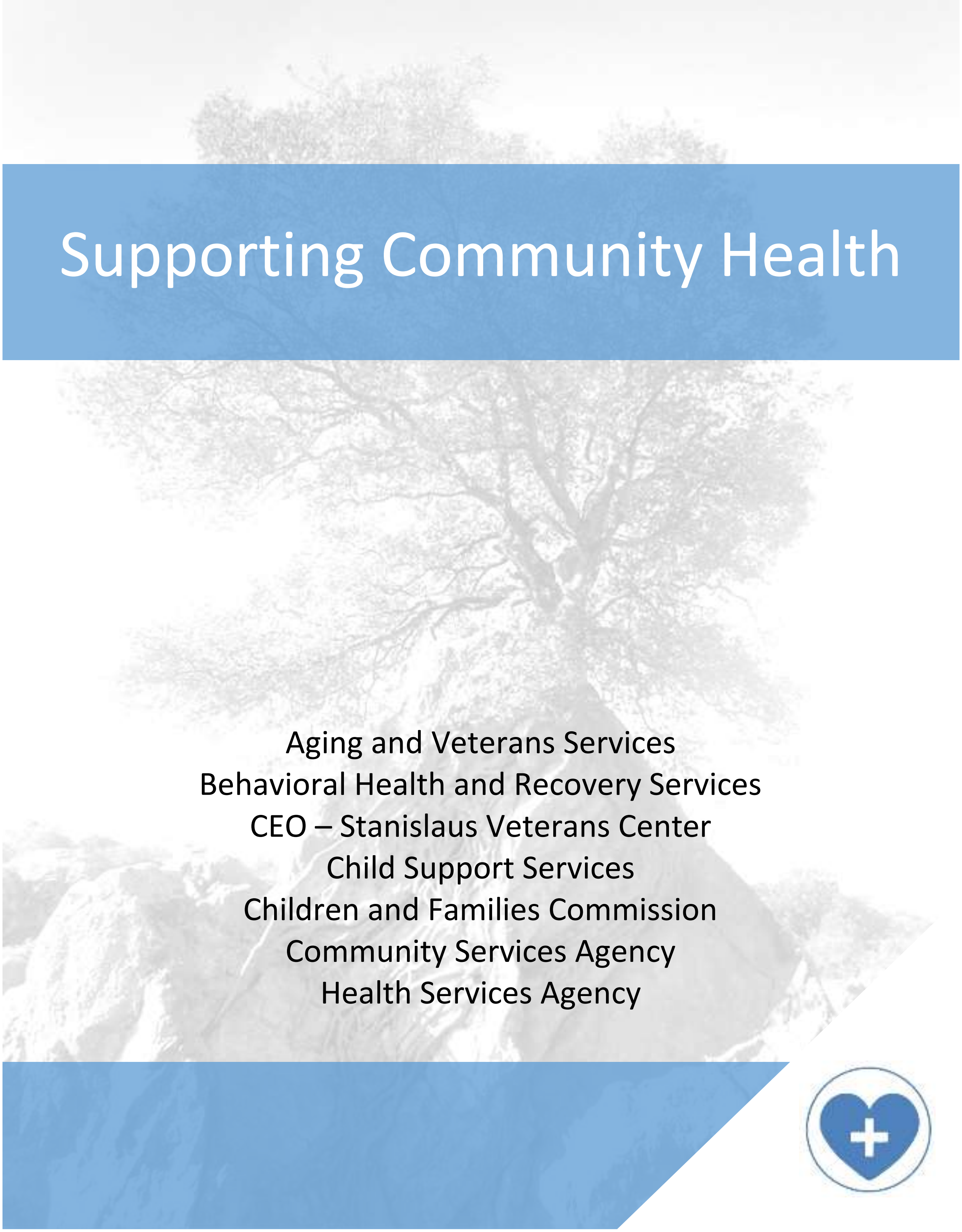
Operations – An increase in appropriations of $525,000 is recommended for retirement/termination cash out costs and data processing support. The appropriations increase includes $400,000 for termination cash out costs for retiring staff. Of those retiring in Fiscal Year 2019-2020, the Department has identified 12 that have over 15+ years of service and significant accruals that make up most of the increase. The increase is funded with $525,000 in Net County Cost.

SDEA Federal Asset Forfeiture – An increase in appropriations of $112,500 is recommended for additional operating supplies for the Special Investigations Unit. Cost allocated charges are also trending higher than was projected and an increase is recommended to ensure the fund can close in a positive position. This is a new budget as of March 2019 and trend analysis will improve with more months of actual operations, that will inform future adjustments to right-size this budget, ensuring that the Special Investigations Unit needs can be best aligned with budget plans and purchases will remain cost-effective. The increase is funded with $112,500 in departmental fund balance.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Sheriff - Administration	$0	$860,000	$0	$860,000	Transfer in appropriations from Department Appropriations for Contingencies to Operating Transfers Out for Sheriff Operations Center HVAC project approved in the FY 2018-2019 Adopted Proposed Budget.
Sheriff - Administration	$0	($860,000)	$0	($860,000)	Transfer out appropriations from Department Appropriations for Contingencies to Operating Transfers Out for Sheriff Operations Center HVAC project approved in the FY 2018-2019 Adopted Proposed Budget.
Sheriff - Court Security	($25,295)	$604,795	$615,295	$14,795	Increase appropriations in Salaries and Benefits and Cost Allocation Plan (CAP) charges for higher projected costs funded with fund balance and increased County Match. Decrease revenue to align with actual 2011 Realignment Revenue offset by additional funds received in Dec 2019 for reallocated and newly created judgeships.
Sheriff - Detention	$0	$1,440,000	$0	$1,440,000	Transfer in appropriations from Department Appropriations for Contingencies to Operating Transfers Out for Sheriff Support Services HVAC and refrigeration and condenser units projects approved in the FY 2018-2019 Adopted Budget.
Sheriff - Detention	$0	($1,440,000)	$0	($1,440,000)	Transfer out appropriations from Department Appropriations for Contingencies to Operating Transfers Out for Sheriff Support Services HVAC and refrigeration and condenser units projects approved in the FY 2018-2019 Adopted Budget.
Sheriff - Drivers Training Program	$20,000	$79,250	$59,250	$0	Increase appropriations for CAP charges trending higher than legal budget. The increase is funded with fund balance.
Sheriff - Jail Commissary/Inmate Welfare	$0	$30,000	$30,000	$0	Increase appropriations for Salaries and Benefits due to costs trending higher than legal budget. Increase is funded with retained earnings.
Sheriff - Jail Commissary/Inmate Welfare	$0	$20,000	$20,000	$0	Increase appropriations for Stanislaus Literacy Center contract for GED preparation and literacy classes for inmates. Increase is funded with retained earnings.
Sheriff - Jail Commissary/Inmate Welfare	$0	$2,500	$2,500	$0	Increase appropriations for CAP charges trending higher than legal budget and use of retained earnings.
Sheriff - Justice Assistance Grant	$169,479	$169,479	$0	$0	Increase appropriations and estimated revenue to recognize funds for the 2017 Edward Byrne JAG Grant award.
Sheriff - Justice Assistance Grant	$174,853	$174,853	$0	$0	Increase appropriations and estimated revenue to recognize funds for the 2019 Edward Byrne JAG Grant award.
Sheriff - Operations	$0	$125,000	$0	$125,000	Increase appropriations in CAP charges due to costs trending higher than the legal budget level.
Sheriff - Operations	$0	$400,000	$0	$400,000	Increase appropriations in salaries and benefits for retirement cashout costs.
Sheriff - SDEA Federal Asset Forfeiture	$0	$112,500	$112,500	$0	Increase appropriations for operating supplies and CAP charges for the Drug Enforcement Agency/Special Investigations Unit. Increase is funded with fund balance.
Total	**$339,037**	**$1,718,377**	**$839,545**	**$539,795**	

Recommendation: It is recommended to increase estimated revenue by $339,037 and appropriations by $1,718,377 funded by an increase of $839,545 in Department fund balance and $539,795 increased Net County Cost.

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



Supporting Community Health

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

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

Priority Overview

Supporting Community Health is vital to the quality of life for 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.

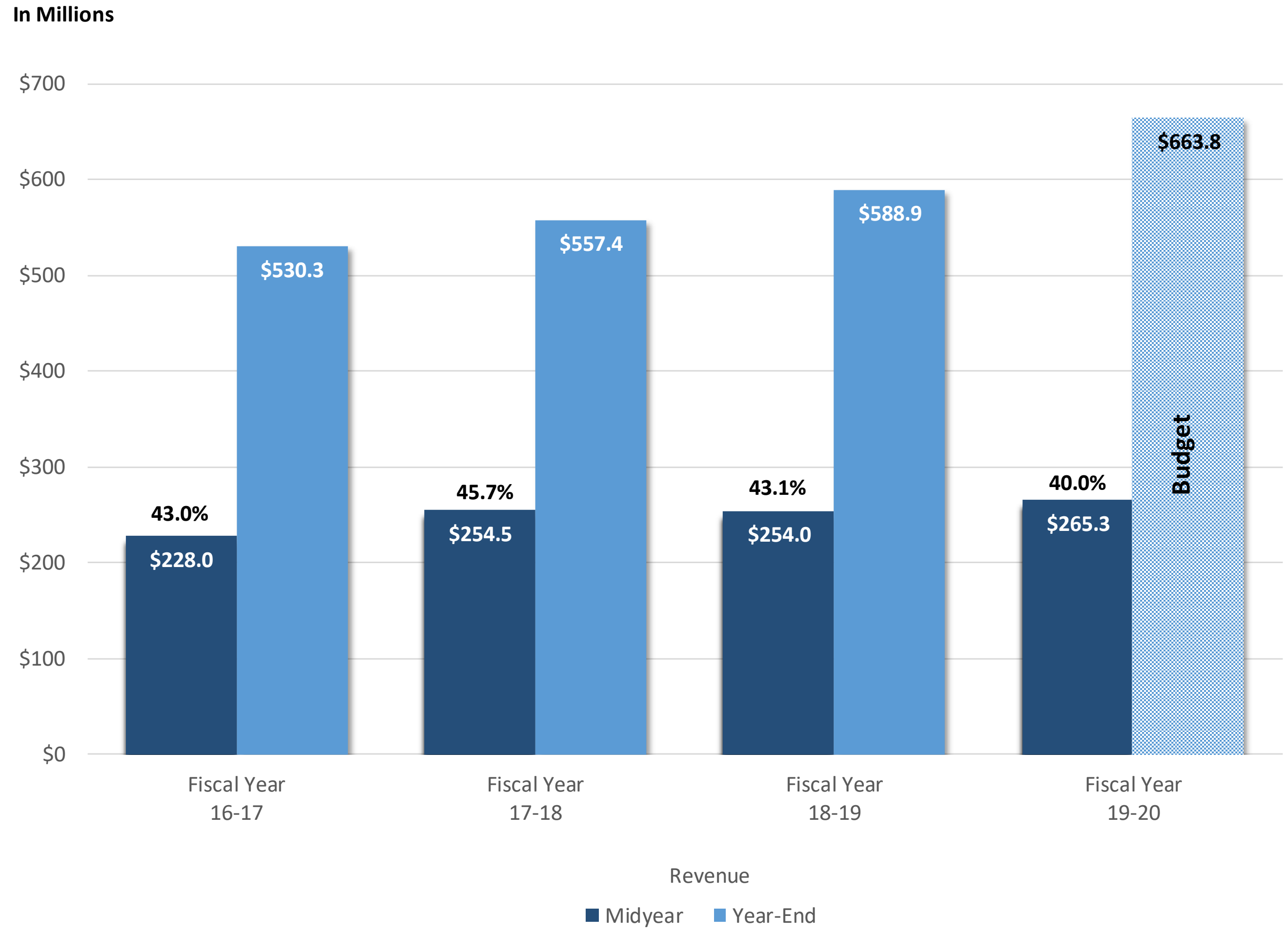
The departments assigned to this priority area include Aging and Veterans Services, Behavioral Health and Recovery Services, Chief Executive Office – Stanislaus Veterans Center, Child Support Services, Children and Families Commission, Community Services Agency, and Health Services Agency. The major 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, 2019 totals $265.3 million, which represents 40% of the estimated annual revenue. This is below the range when compared to the midyear point of the prior three years when collections ranged from 43% to 45.7% of the final actual revenue. Revenue is earned in the Health and Human Services programs through reimbursement of allowable expenditures. Revenue is trending lower during the first six months of the year primarily due to reductions in Realignment revenue and Federal program eligibility. Of significant impact this year, is a change in accounting practice that recognizes 2011 Realignment revenue when received and not when earned, increasing the use of departmental fund balance and decreasing revenue in the current year.

Supporting Community Health Four-Year Revenue Comparison

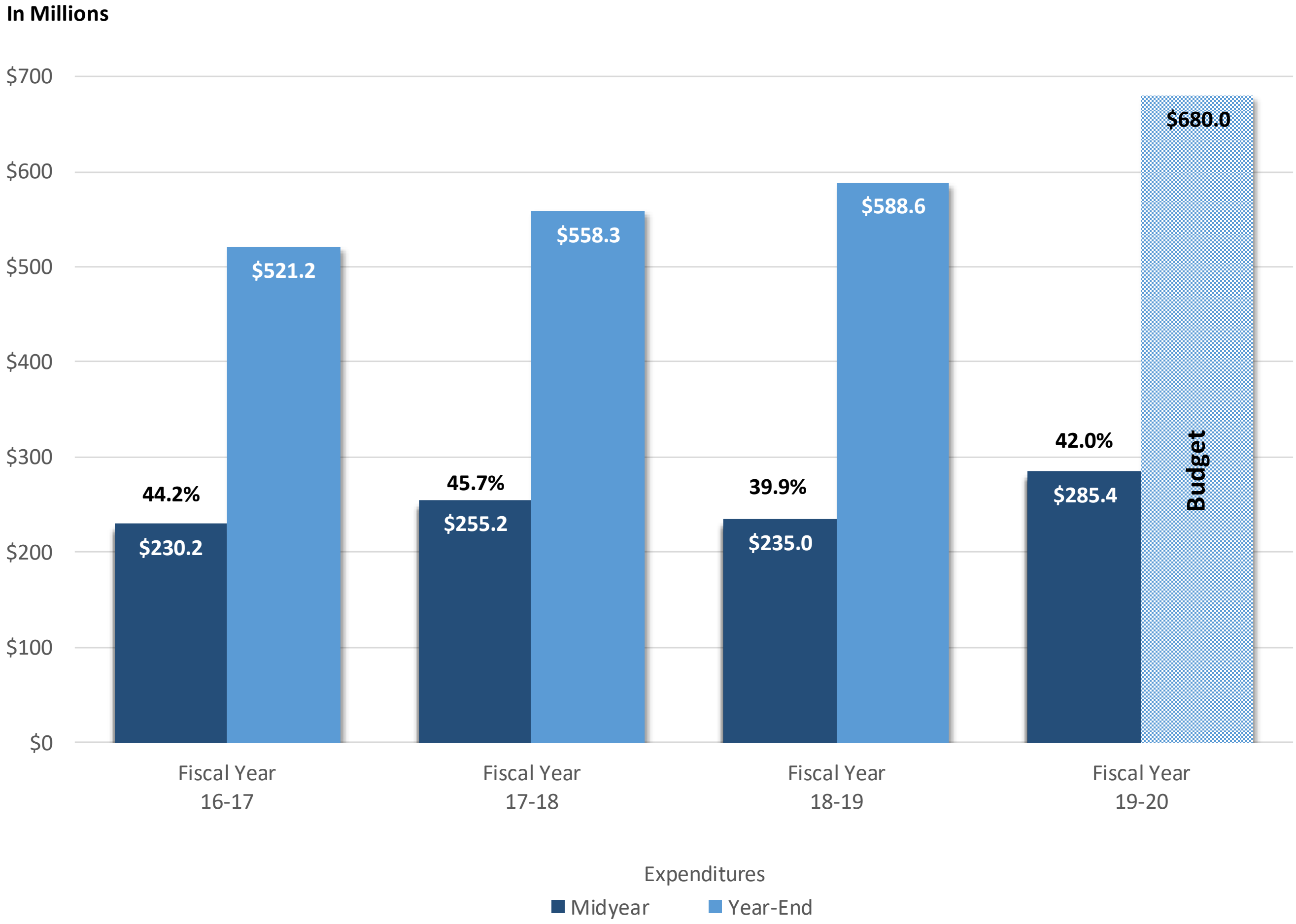


Departmental Expenditures

As of December 31, 2019, expenditures in this priority area totaled $285.4 million, representing 42% of budgeted appropriations for the fiscal year. Actual expenditures at the midyear point of the previous three years resulted in a range of 39.9% to 45.7% of the final annual expenditures, placing this year's level within normal range comparatively.

The slight increase in overall expenditures from the most recent prior year is primarily due to an increase in social service program caseloads, growth in foster care placements, and increased treatment costs for clients served in mental health facilities. Overall, expenditures are projected to remain within the legal budget through year end.

Supporting Community Health Four-Year Expenditures Comparison



Midyear Issues and Recommendations

The recommendations contained in this report for Supporting Community Health will increase appropriations by $6.9 million, inclusive of a $416,085 decrease as a technical correction for a retirement replacement benefits adjustment posted as a post-closing entry to Fiscal Year 2018-2019 for which previously established appropriations are not necessary in Fiscal Year 2019-2020. The budget adjustments are funded by an increased use of $23.5 million in department fund balance, offset by at $18.5 million decrease in department revenue, and resulting in an increase of $2 million in General Fund Contribution.

Aging and Veterans Services

A total increase in revenue and appropriations of $176,329 is recommended to accommodate additional State of California funding for senior programs, including the Multi-Purpose Senior Services Program and the SNAP-Ed program. The funds received will be used to pay for computer equipment and part-time, extra-help social workers and program management costs.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Area Agency on Aging	$176,329	$176,329	$0	$0	Increase in estimated revenue and appropriations due to funding received from the State of California in the Multi-Purpose Senior Services Program ($171,392) and the SNAP-Ed Program ($4,937).
Total	**$176,329**	**$176,329**	**$0**	**$0**	

Recommendation: It is recommended to increase revenue and appropriations by $176,329.

Staffing Recommendation: A request for a classification study of one Manager I position was submitted in the 2018-2019 Midyear budget. The study has been completed and it is recommended to reclassify the position to a Manager III. The position will provide support to the Department Head and have overall responsibility for the fiscal, budget, auditing, human resource, contracts, and general operations functions of the Department.

Behavioral Health and Recovery Services

A decrease in revenue of $15.1 million an increase in appropriations of $700,000, and an increase of $15.8 million in the use of departmental fund balance is recommended for the Department.

Behavioral Health and Recovery Services (BHRS) – The Department has continued to experience an increase in placements of adults in mental health residential treatment facilities. Placements in Institutions for Mental Disease (IMDs), Transitional Board and Care Homes (TBC), and in-patient psychiatric hospitalization continue to outpace available funding. An appropriations increase of $650,000, funded by $206,061 in the use of departmental fund balance and recognition of $443,939 in insurance claim revenue from the 2017 Cyber Attack is recommended to accommodate this increase in treatment placements. It is anticipated the increased costs will be ongoing and will affect future budget cycles, prompting a transfer of $2 million from Salaries and Benefits to Services and Supplies to fund contracts for placements in Institutions for Mental Disease and Transitional Board and Care facilities. The Department will perform additional analysis during the Fiscal Year 2020-2021 Proposed Budget cycle and increase budget appropriations as necessary. At this time, there are sufficient salary savings and fund balance to absorb the increase; once the fund balance is exhausted, the Department will need to adjust outpatient mental health service levels to align with available funding.

A decrease in revenue of $655,000 is recommended. This is a one-time request and considered a technical accounting adjustment to accommodate accounting changes recently adopted in response to Governmental Accounting Standards Board (GASB) 33 and the interpretation of deferred revenue. As of July 1, 2019, this fund has an available fund balance of $9.6 million, of which $2.4 million was budgeted for use in Fiscal Year 2019-2020. There is no impact to the County General Fund at this time. The increased use of fund balance at midyear brings the total budgeted use to $3.3 million.

Public Guardian - An increase in appropriations of $50,000 is recommended to support increases in various County Cost Allocation Plan (CAP) charges, funded by the use of fund balance. As of July 1, 2019, Public Guardian has an available fund balance of $566,843, of which $176,678 was budgeted for use in Fiscal Year 2019-2020. The requested $50,000 increase in the usage of fund balance would take the total usage to $226,678. At this time, there is sufficient fund balance to absorb the increase, but once the fund balance is exhausted, there will be an ongoing impact to the County General Fund.

Managed Care (Mental Health Services Act) - A decrease in revenue of $14.9 million with an equal increase in the use of fund balance is recommended to account for accounting changes recently adopted, as noted above. As of July 1, 2019, this fund has an available fund balance of $29.8 million, of which zero was budgeted for use in Fiscal Year 2019-2020. There is no impact to the County General Fund.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	**Description**
Behavioral Health and Recovery Services	($655,000)	$0	$655,000	$0	Decrease estimated revenue and increase the use of fund balance due to conformance with GASB 33 and the interpretation of deferred revenue; technical adjustment.
Behavioral Health and Recovery Services	$443,939	$650,000	$206,061	$0	Increase appropriations to cover increased costs for mental health placements, funded by an increase in estimated revenue for reimbursement from the 2017 cyber attack and the use of fund balance
Behavioral Health and Recovery Services	$0	($2,000,000)	($2,000,000)	$0	Transfer appropriations from Salaries and Benefits
Behavioral Health and Recovery Services	$0	$2,000,000	$2,000,000	$0	Transfer appropriations to Services and Supplies
Public Guardian	$0	$50,000	$50,000	$0	Increase appropriations and the use of fund balance to cover CAP charges
Mental Health Services Act	($14,906,627)	$0	$14,906,627	$0	Decrease estimated revenue and increase the use of fund balance due to conformance with GASB 33 and the interpretation of deferred revenue; technical adjustment.
Total	**($15,117,688)**	**$700,000**	**$15,817,688**	**$0**	

Recommendation: It is recommended to decrease estimated revenue by $15.1 million and increase appropriations by $700,000, funded by an increase of $15.8 million in the use of departmental fund balance.

Staffing Recommendation: It is recommended to transfer out three Behavioral Health Specialist I/II and one Mental Health Clinician I/II positions from Behavioral Health and Recovery Services to the Mental Health Services Act to better meet the needs of the programs.

Child Support Services

An overall increase in appropriations of $346,338 funded by $47,852 increase in estimated revenue and the use of $298,486 in departmental fund balance is recommended. An increase in appropriations of $47,852 and a transfer $74,358 from Salaries and Benefits to Fixed Assets will support the cost of IT enhancements and alarm system upgrades. An increase in Intergovernmental Revenue of $852 in Electronic Data Processing (EDP) allocation funding and additional interest revenue of $47,000 will also fund these projects.

An increase in appropriations of $298,486 with an equal increase in the use of fund balance is recommeded. The funds accrued as a result of a reimbursment for the Community Services Facility HVAC Replacement Project and return of excess cash contribution in the amount of $298,486 has been posted into the Department's Fund Balance as requested by the California Department of Child Support Services Chief Financial Officer. As required by the

California Department of Child Support Services, the Department will submit an approved Spending Plan to cover expenses for ADA compliance and safety renovations in the Department's Lobby and File Room.

A transfer of $355,976 from Fixed Assets to Services and Supplies to purchase office furniture not classified as Fixed Assets totaling $255,976 and to cover additional maintenance costs or structures and grounds of $100,000 is recommended.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Child Support Services	$47,852	$47,852	$0	$0	Increase estimated revenue and appropriations for IT enhancements and alarm system upgrade
Child Support Services	$0	($74,358)	($74,358)	$0	Transfer from Salaries and Benefits
Child Support Services	$0	$74,358	$74,358	$0	Transfer to Fixed Assets for IT enhancements and alarm system upgrade
Child Support Services	$0	$298,486	$298,486	$0	Increase appropriations and the use of fund balance for ADA renovations
Child Support Services	$0	($355,976)	$0	($355,976)	Transfer from Fixed Assets
Child Support Services	$0	$355,976	$0	$355,976	Transfer to Services and Supplies for office furniture and maintenance costs
Total	**$47,852**	**$346,338**	**$298,486**	**$0**	

Recommendation: It is recommended to increase appropriations by $346,338 funded by a $47,852 increase in estimated revenue and the use of $298,486 in departmental fund balance.

Children and Families Commission

It is recommended to increase estimated revenue of $100,000 and provide a contribution to fund balance of an equal $100,000 for the Sunlight Giving Foundation unrestricted grant. The Department will identify the use of these funds as part of implementation of their strategic plan.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Children and Families Commision	$100,000	$0	($100,000)	$0	Increase revenue to acknowledge receipt of Sunlight Giving unrestricted grant, contributing to fund balance.
Total	**$100,000**	**$0**	**($100,000)**	**$0**	

Recommendation: Is it recommended to increase estimated revenue of $100,000 resulting is a contribution to fund balance of $100,000.

Community Services Agency

In total, the Community Services Agency (CSA) Midyear request includes a recommended $6.1 million increase in appropriations, a $3.3 million decrease in estimated revenue, and the use of $7.4 million in departmental fund balance, relying on an increased General Fund contribution of $2 million at midyear in support of Foster Care Assistance.

Program Services and Support – A technical adjustment decreasing estimated revenue and increasing the use of restricted fund balance by $4.3 million will accommodate accounting changes recently adopted in response to Governmental Accounting Standards Board (GASB) 33 and the interpretation of deferred revenue.

Public Economic Assistance – A technical adjustment decreasing estimated revenue and increasing the use of fund balance by $3.6 million will accommodate accounting changes recently adopted, as noted above. Additionally, a $5.1 million decrease in appropriations and revenue is recommended due to the decline in CalWORKs caseloads; clients continue to leave the program as they meet earnings thresholds and acquire self-sufficiency. Despite declining costs in CalWORKs, rising costs in foster care impart a lower Federal/State share of costs. Additionally, 1991 and 2011 Realignment revenue receipts are lower than anticipated, resulting in an increased General Fund cost to support these programs. A $2 million decrease in revenue is recommended with an equal General Fund contribution provided in support of the unmet need; this serves to partially satisfy current projections and may not meet the full need for Fiscal Year 2019-2020. Continuous monitoring and analysis through the remainder of the fiscal year will determine whether the Department returns at third quarter or through separate Board action to make any further adjustments.

Homeless Emergency Aid Program (HEAP) – A total increase in estimated revenue of $384,000 is recommended. The transfer in of $324,000 from Capital Projects and $60,000 in increased interest earnings reduce the reliance on fund balance for the year.

Public Authority – Administration – A $190,720 increase in appropriations and estimated revenue are recommended due to an increase in the allocation for Public Authority Administration.

IHSS Provider Wages – An $11 million increase in appropriations and estimated revenue are recommended due to caseload growth and increase in paid provider hours and increase in wage costs identified in the In-Home Supportive Services program.

Budget Unit Name	Recommended Budget Adjustment Revenue	 Appropriations	 Fund Balance/ Retained Earnings	 Net County Cost/General Fund Contribution	Description
CSA - Program Services and Support	($4,261,555)	$0	$4,261,555	$0	Decrease estimated revenue and increase the use of fund balance due to conformance with GASB 33 and the interpretation of deferred revenue; technical adjustment.
CSA - Public Economic Assistance	($3,568,661)	$0	$3,568,661	$0	Decrease estimated revenue and increase the use of fund balance due to conformance with GASB 33 and the interpretation of deferred revenue; technical adjustment.
CSA - Public Economic Assistance	($5,117,165)	($5,117,165)	$0	$0	Decrease estimated revenue and appropriations due to declines in CalWORKs caseloads.
CSA - Public Economic Assistance	($1,963,911)	$0	$0	$1,963,911	Decrease estimated revenue and increase Mandated County Match to accommodate a combined decrease in 1991 Realignment revenue and increase in Foster Care costs impact.
CSA - Homeless Emergency Aid Program (HEAP)	$384,000	$0	($384,000)	$0	Increase estimated revenue due to additional interest earnings and transfer in from Capital Projects, decreasing the reliance on fund balance.
CSA - Public Authority - Administration	$190,720	$190,720	$0	$0	Increase estimated revenue and appropriations due to caseload growth in In-Home Supportive Services (IHSS).
CSA - IHSS Provider Wages	$11,000,000	$11,000,000	$0	$0	Increase estimated revenue and appropriations due to caseload growth and increase in wage costs in IHSS.
Total	**($3,336,572)**	**$6,073,555**	**$7,446,216**	**$1,963,911**	

Recommendation: It is recommended to increase appropriations by $6.1 million and decrease estimated revenue by $3.3 million, funded by a $7.4 million increase in the use of departmental fund balance and an increase of $2 million in General Fund contribution.

Staffing Recommendation: It is recommended to reclassify a total of three positions.

- Reclassify upward one vacant Family Services Specialist II to a Staff Services Analyst to ensure performance indicators are met and to eliminate ongoing assignment pay.
- Reclassify upward one vacant Family Services Specialist II position to Staff Services Coordinator to support the Cal-OAR and CalWORKs 2.0 initiatives and to eliminate ongoing assignment pay.
- Reclassify upward one Staff Services Coordinator to a Social Worker Supervisor II to meet the requirements in the provisions of the memorandum of understanding ensuring appropriate supervisor pay differential as this position supervises Social Workers IV/V positions.

Health Services Agency

Clinics and Ancillary - A decrease in estimated revenue of $1.5 million is recommended to transfer VLF Realignment and a portion of the Inter Governmental Transfer (IGT) revenue to Public Health based on the proportion of applicable service costs between the Public Health and Clinics and Ancillary Divisions.

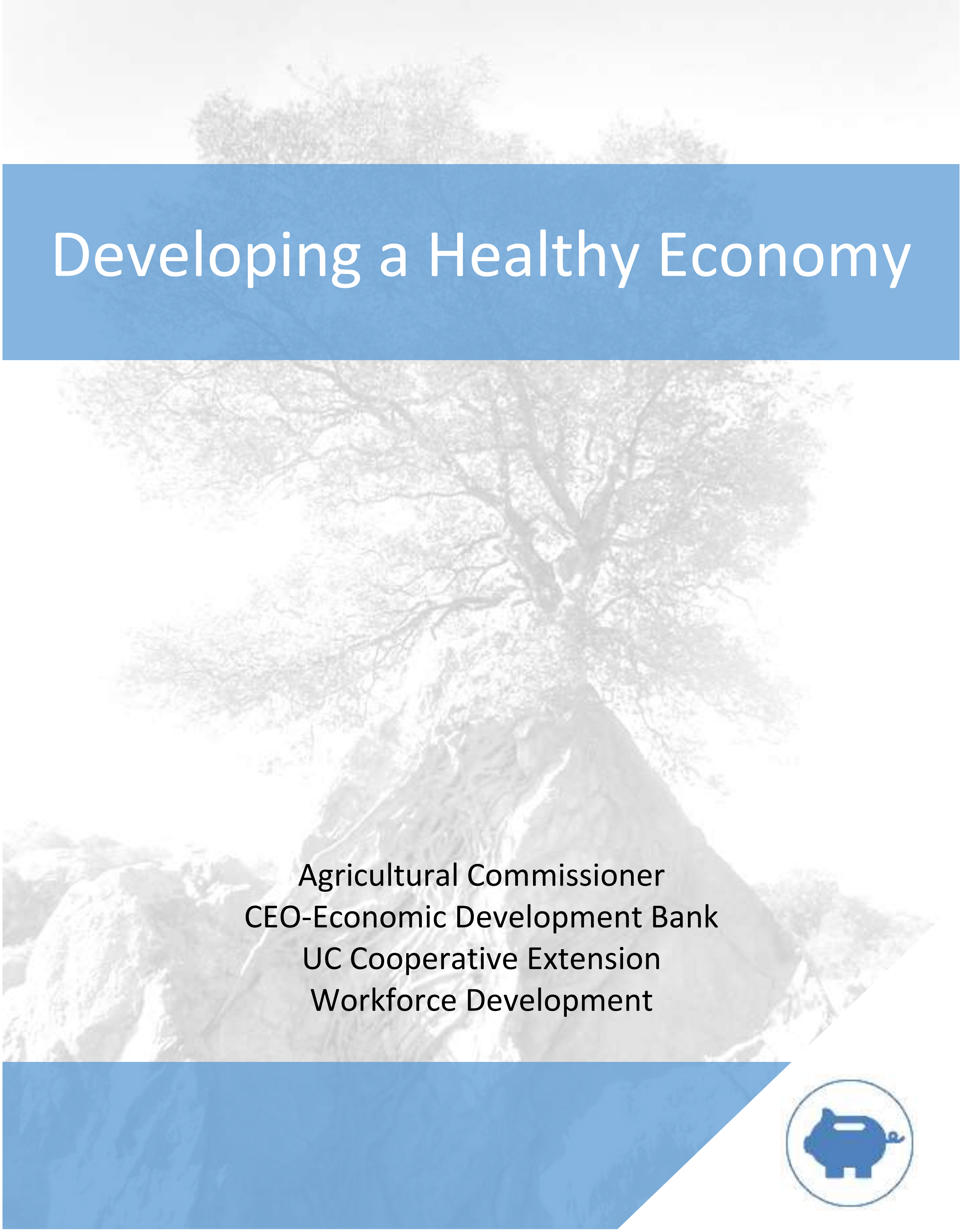
Public Health - An increase to estimated revenue of $1.5 million is recommended to transfer VLF Realignment and a portion of the Inter Governmental Transfer (IGT) revenue from Clinics and Ancillary Division based on the proportion of applicable services costs between the Public Health and Clinics and Ancillary Divisions.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Health Services Agency - Public Health	$1,493,260	$0	($1,493,260)	$0	Increase estimated revenue and fund balance in HSA Public Health as a result of VLF Realignment and proportion of the IGT service cost revenue transfer from HSA Clinics and Ancillary Division.
Health Services Agency - Clinic and Ancillary Services	($1,493,260)	$0	$1,493,260	$0	Decrease estimated revenue and increase the use of fund balance in HSA Clinics and Ancillary Division to offset the VLF Realignment and proportion of the IGT service cost revenue transfer to HSA Public Health Division.
Total	**$0**	**$0**	**$0**	**$0**	

Recommendation: It is recommended to transfer revenue of $1.5 million from Clinics and Ancillary to Public Health.

Staffing Recommendation: It is recommended to delete one vacant Administrative Clerk II and one vacant Staff Services Technician positions because they are no longer needed to support the Public Health Women, Infants and Children Program. It is also recommended to unfund three vacant positions, one Community Health Worker II, one Public Health Nutritionist II, and one Staff Services Coordinator due to caseload reduction.

It is further recommended to add four new Physical/Occupational Therapist I/II positions to support the Public Health California Children Services – Medical Therapy Unit Program, enabling the Department to make a renewed effort to hire full-time represented staff in lieu of the partial reliance on contract employees to provide this mandated service.



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.

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

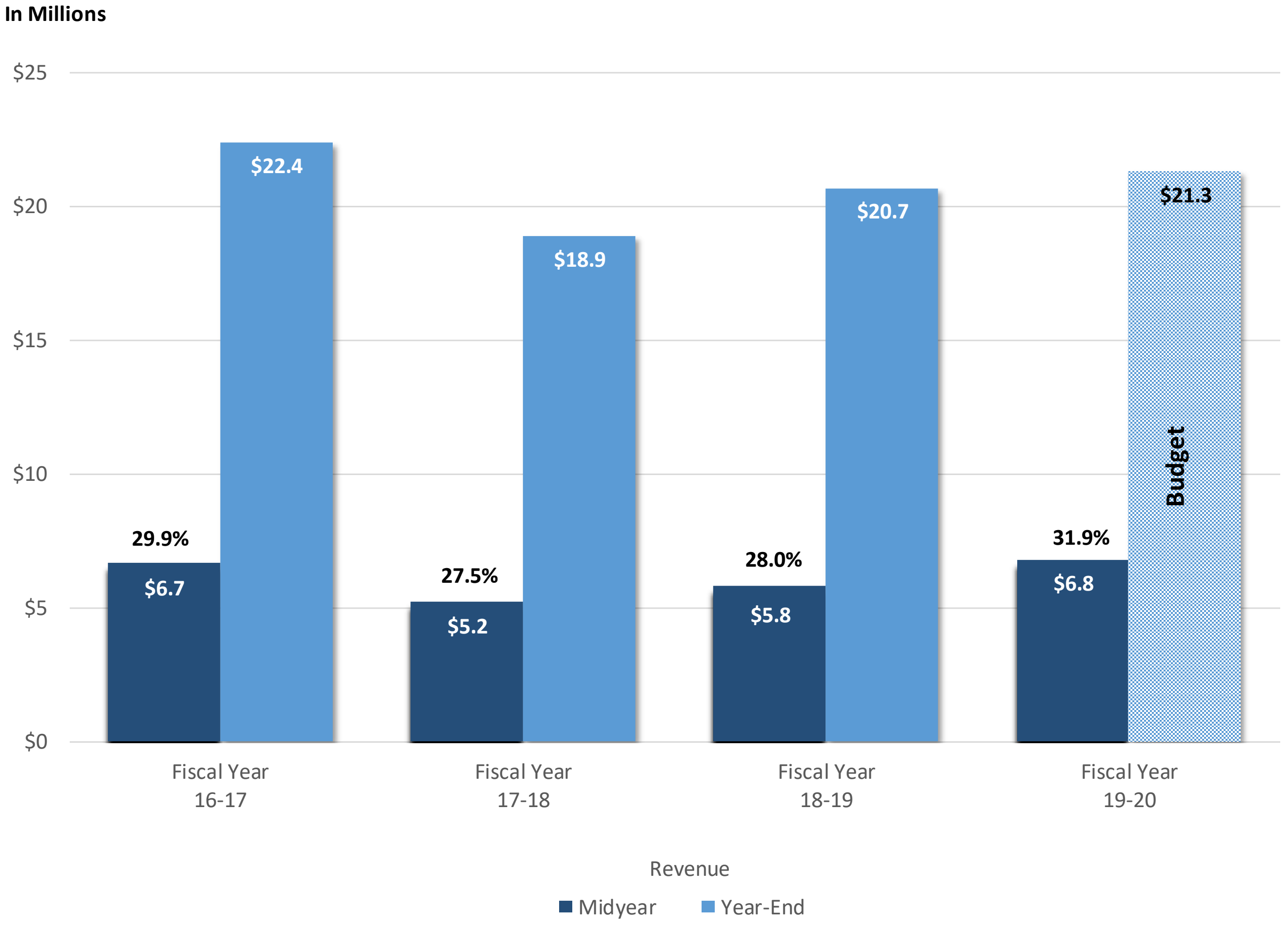
The Agricultural Commissioner receives State funding for several programs, charges for specific services and some funding from the County General Fund. Cooperative Extension's University of California advisors are funded through the University of California system while the County provides administrative staff 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 department budgets that are part of the Board of Supervisors' priority area of *Developing a Healthy Economy* as of December 31, 2019, actual revenue collected is $6.8 million, which represents 31.9% of the estimated annual revenue. This is above the range when compared to the midyear point of the prior three years when collections were 27.5% to 29.9% of the final actual revenue. The increase in revenue is primarily due to the Agricultural Commissioner receiving increased gas tax revenue as a result of the passage of SB1 raising the state gas tax effective July 1, 2019. Additionally, Workforce Development generated additional revenue as a result of increases for Paid Work Experience participants, the Summer Youth Program, the Downtown Streets Team contract, and an increase in client training. All of Workforce Development revenues are expenditure driven therefore increases in programs and program participation result in increased revenue.

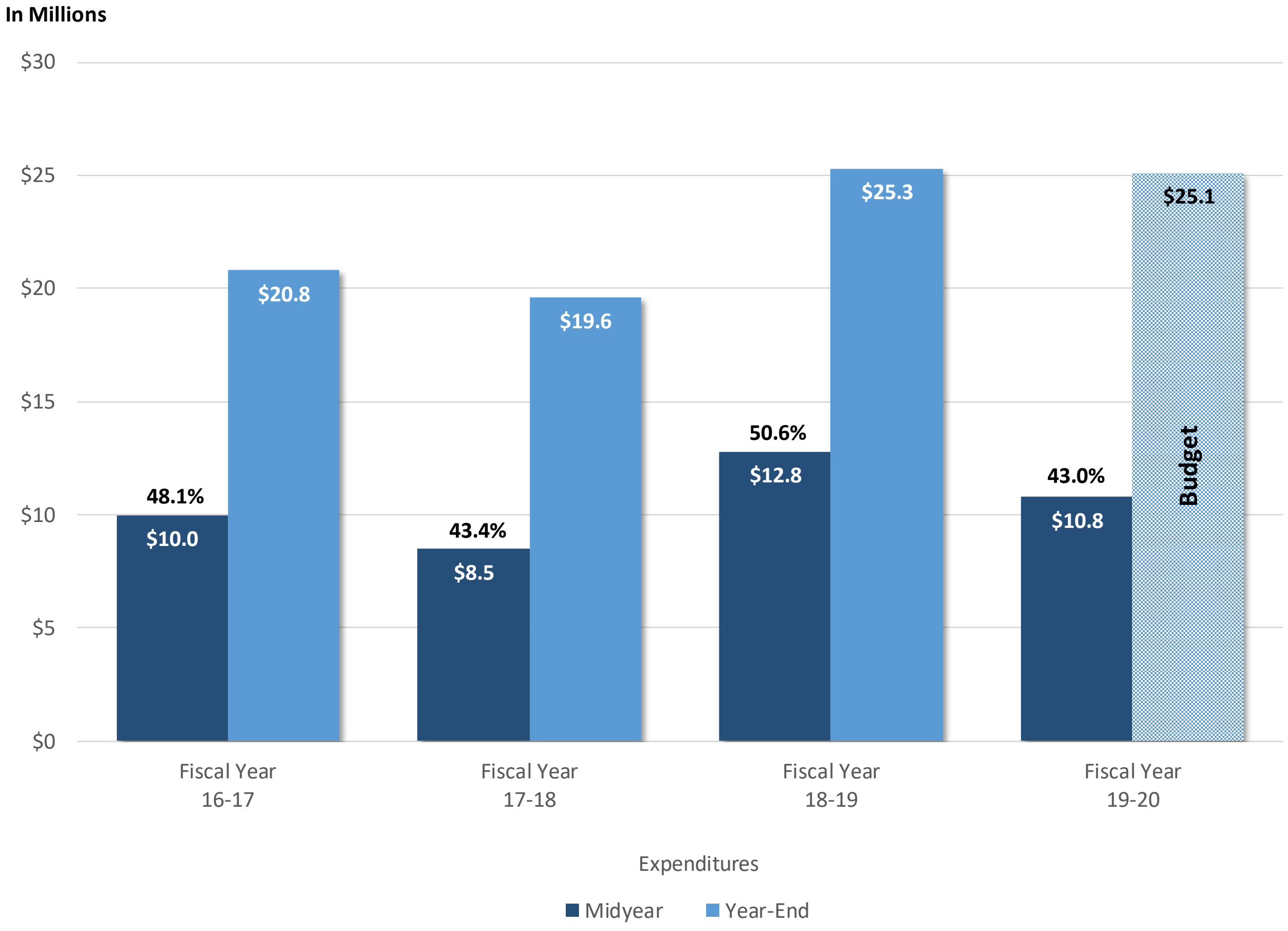
Developing a Healthy Economy Four-Year Revenue Comparison



Departmental Expenditures

As of December 31, 2019, expenditures are $10.8 million, representing 43% of the budgeted appropriations. This is slightly below the range when compared to the midyear point of the prior three years when expenditures were 43.4% to 50.6% of the final actual expenditures. Expenditures are slightly below the midyear point of the prior three years due to a $2.9 million one-time transfer of funds from the CEO-Economic Development Bank to the CEO-Crows Landing Air Facility for costs associated with the Crows Landing Industrial Business Park (CLIBP) in Fiscal Year 2018-2019. In addition, Ag Commissioner has salary savings as a result of three open inspector positions and one open deputy position.

Developing a Healthy Economy Four-Year Expenditures Comparison



Midyear Issues and Recommendations

The recommendations contained in this report for the priority of Developing a Healthy Economy will increase appropriations by $35,000 funded by Community Development Fund Balance.

Agricultural Commissioner

Staffing Recommendation: A study was requested in the 2019-2020 Proposed Budget to review the current duties and responsibilities of three Agricultural Assistant II positions. Based on the results of the study, it is recommended to reclassify upward two Agricultural Assistant II positions to Administrative Clerk III.

CEO-Economic Development Bank

On November 19, 2019 the Board of Supervisors approved the use of $35,000 in Community Development Funds to purchase and install concrete barrier rails along Zeff and River Roads to prevent Tuolumne River pollution. The $35,000 is coming from the District 5 Community Development Fund balance. It was not requested to increase appropriations when the project was approved, therefore a technical adjustment is needed at this time.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	**Description**
CEO - Economic Development Bank	$0	$35,000	$0	$35,000	Increase appropriations in the Community Development Fund (District 5) for concrete barrier on Zeff and River Roads.
Total	**$0**	**$35,000**	**$0**	**$35,000**	

Recommendation: It is recommended to increase appropriations by $35,000 funded by available Community Development Fund balance which is part of the General Fund.

Workforce Development

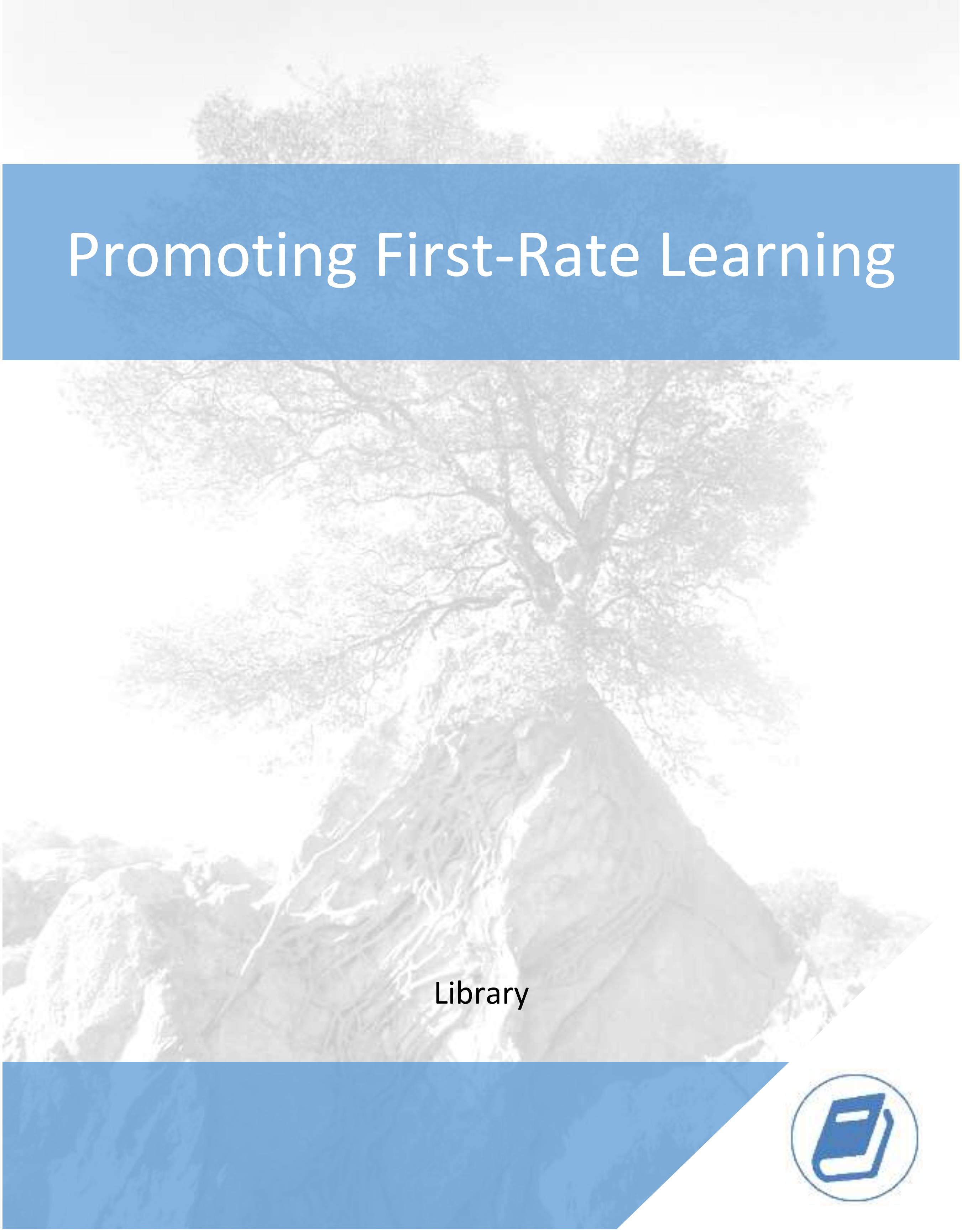
The Workforce Development Department is located in the Community Services Facility which is scheduled to have a cover installed on an employee break patio. It is recommended to transfer $16,523 from Services and Supplies to Fixed Assets to fund the Workforce Development portion of the patio cover update.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	**Description**
Workforce Development - StanWORKs	$0	$16,523	$16,523	$0	Transfer appropriations from Services and Supplies to Fixed Assets for purchase of patio covers as part of a facility update
Workforce Development - StanWORKs	$0	($16,523)	($16,523)	$0	Transfer appropriations from Services and Supplies to Fixed Assets for purchase of patio covers as part of a facility update
Total	**$0**	**$0**	**$0**	**$0**	

Recommendation: It is recommended to transfer appropriations of $16,523 from Services and Supplies to Fixed Assets to fund the Workforce Development portion of the Community Services Facility patio cover installation.

Staffing Recommendation: It is recommended to study a request to add a new Assistant Director position.

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. The Library provides online e-resources and community outreach activities such as home delivery service for customers who are unable to come to the library due to advanced age, injury or illness. The library also offers unique services such as the Veterans Resource Center, passport application processing, and citizenship information sessions.

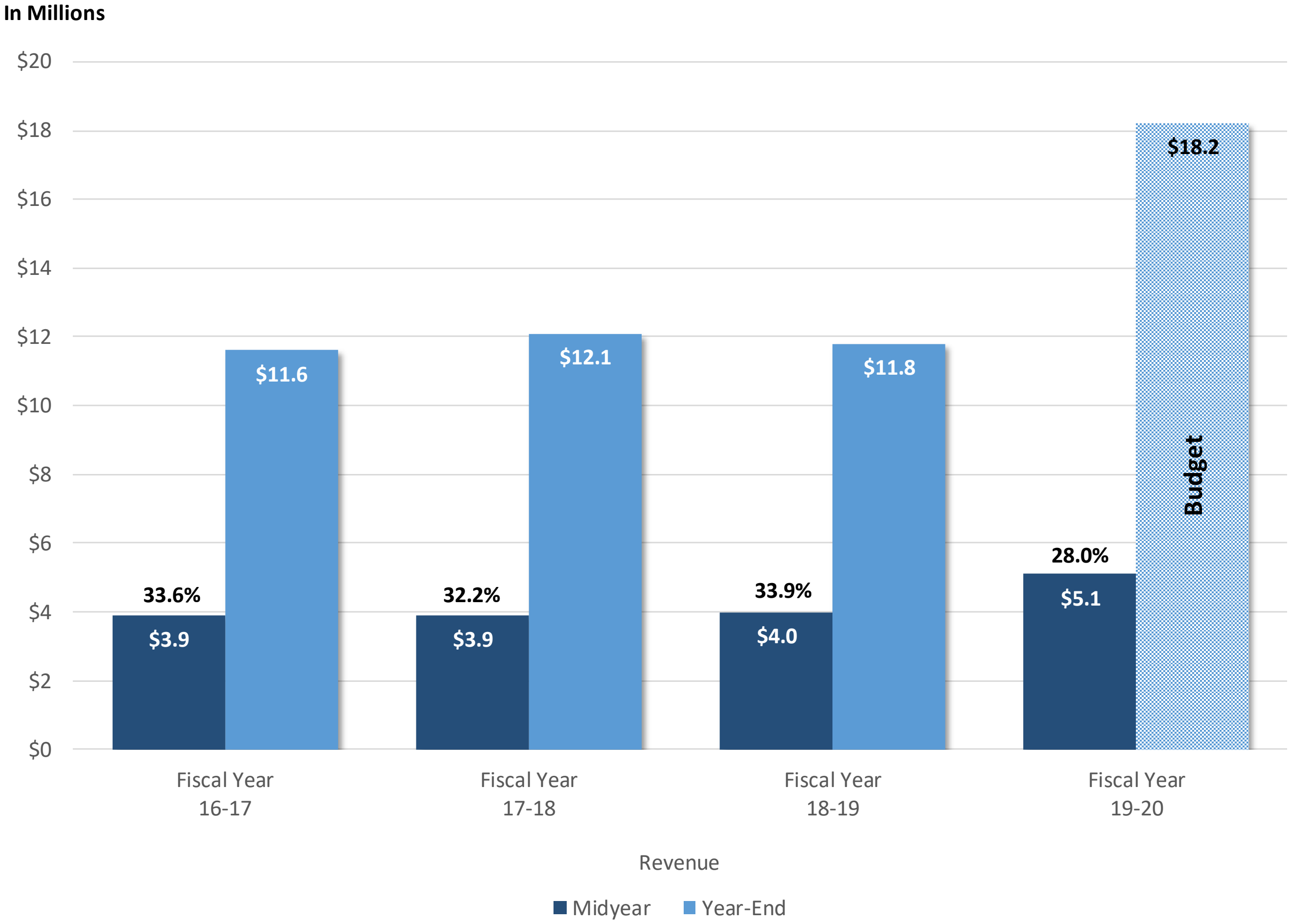
The Library is primarily funded by a voter approved 1/8- cent sales tax, which represents approximately 88% of the Library's total estimated revenue to support the Library operations in Fiscal Year 2019-2020. The voter approved 1/8-cent sales tax was extended for 12 years when Measure S passed in the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

The Library is 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, 2019, actual revenue collected is $5.1 million, which represents 28% of the estimated annual revenue. This is below the range when compared to the midyear point of the prior three years when collections were 32.2% to 33.9% of the final actual revenue. The actual revenue percentage at the midyear point for Fiscal Year 2019-2020 is lower than the three prior years percentages due to an overstatement in budgeted revenue of $6.3 million related to the Tobacco Endowment Loan to fund the Turlock Library Expansion project. There is a recommended midyear adjustment to correct the overstated revenue related to the Tobacco Endowment Loan.

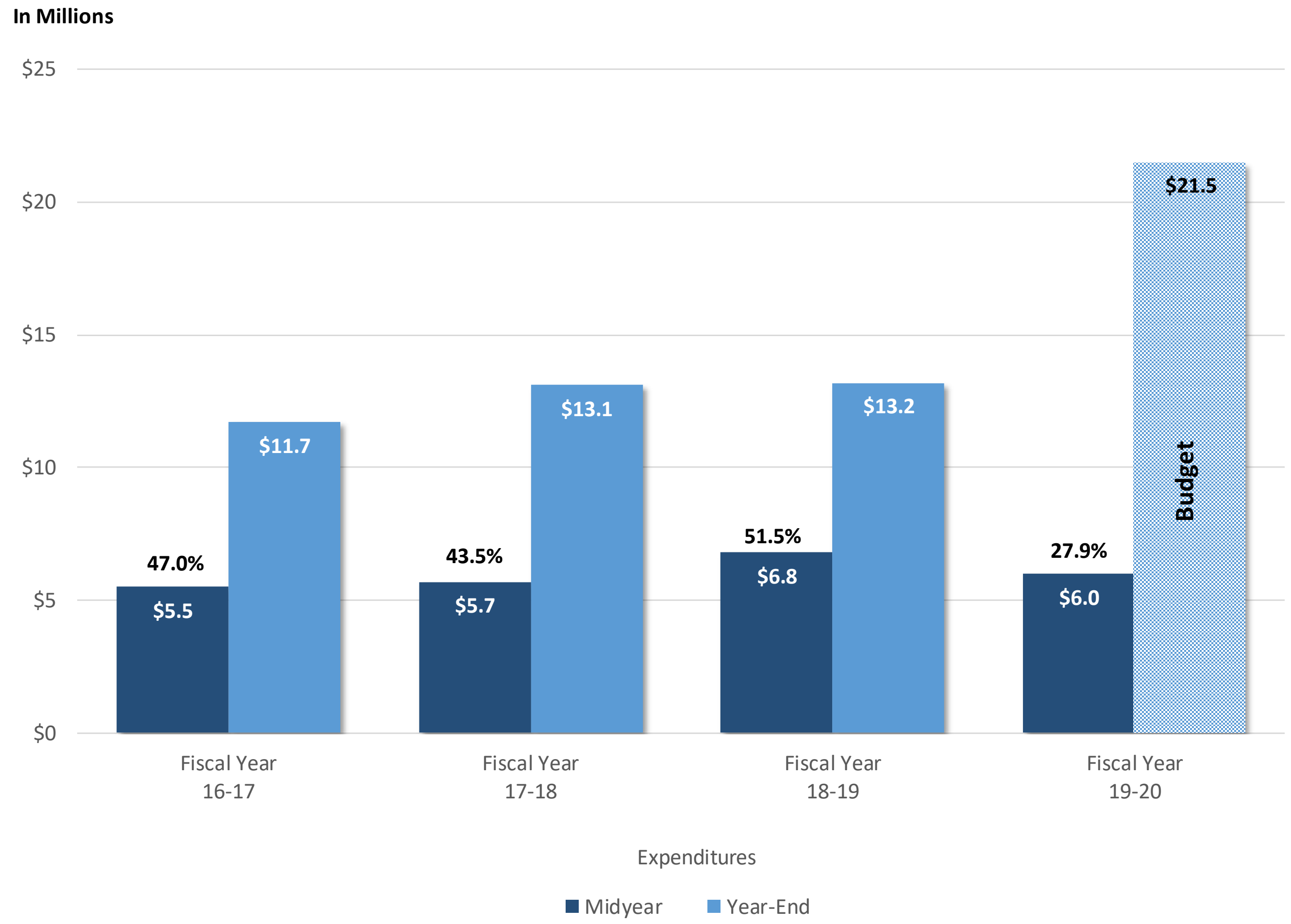
Promoting First-Rate Learning Four-Year Revenue Comparison



Departmental Expenditures

As of December 31, 2019, expenditures total $6.0 million, representing 27.9% of the budgeted appropriations. Expenditures at the midyear point of the prior three years ranged from 43.5% to 51.5% of the final actual expenditures, placing this year below the range. This is primarily the result of increased budget appropriations of $8.7 million to fund the Turlock Library expansion project.

Promoting First-Rate Learning Four-Year Expenditures Comparison



Midyear Issues and Recommendations

The recommendations contained in this report for the priority of Promoting First-Rate Learning will increase appropriations by $419,000 and decrease estimated revenue of $5.3 million funded by an increase in the use of Department fund balance of $5.8 million.

Library

Cost Allocation Plan (CAP) Charges are trending higher than budgeted as of midyear, therefore it is recommended to increase appropriations by $419,000 to cover increased CAP charges primarily in facilities maintenance, liability insurance, and janitorial services funded by Department fund balance.

It is recommended to increase revenue by $960,500 due to sales tax revenue and other miscellaneous revenue coming in higher than projected and due to a $225,000 estate donation to the Library.

It is recommended to decrease estimated revenue by $6.3 million related to the Tobacco Endowment Loan. This recommendation is a technical accounting adjustment needed to recognize the loan between the Tobacco Funds and the Library Fund for the Turlock Library Expansion and Renovation Project. The sources and uses for these funds remain consistent with the project budget and funding approved by the Board of Supervisors in November 2019.

In November 2019, the Board of Supervisors approved the financing for the Turlock Library Expansion, which included a loan from the 2006 Tobacco Endowment Fund. The budget adjustments that accompanied the agenda item increased appropriations for the 2006 Tobacco Endowment Fund to transfer the funding to the Library, and an equal increase in estimated revenue in the Library's budget to receive the transfer of funds. The Auditor-Controller's Office will not use these accounts to record the transfer of funds. Instead, payable and receivable accounts in these funds will be used which are not budgeted. As a result, it is recommended to reduce appropriations in the 2006 Tobacco Endowment Fund and estimated revenue in the Library budget by $6.3 million to bring actuals in line with budget.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Library	$0	$419,000	$419,000	$0	Increase in appropriations to cover increased CAP charges in facilities maintenance, liability insurance, and janitorial services.
Library	$960,500	$0	($960,500)	$0	Increase in revenue due to sales tax revenue coming in higher than projected and a $225,000 donation to the Library.
Library	($6,300,000)	$0	$6,300,000	$0	Decrease revenue related to Tobacco Loan for Turlock Library Expansion project. Auditor Controller Office is using balance sheet accounts to record the cash transfer.
Total	**($5,339,500)**	**$419,000**	**$5,758,500**	**$0**	

Recommendation: It is recommended to decrease revenue by $5.3 million and increase appropriations by $419,000 funded by $5.8 million in department fund balance.

Delivering Efficient Public Services

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

Delivering efficient public services to benefit our residents and businesses

Priority Overview

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

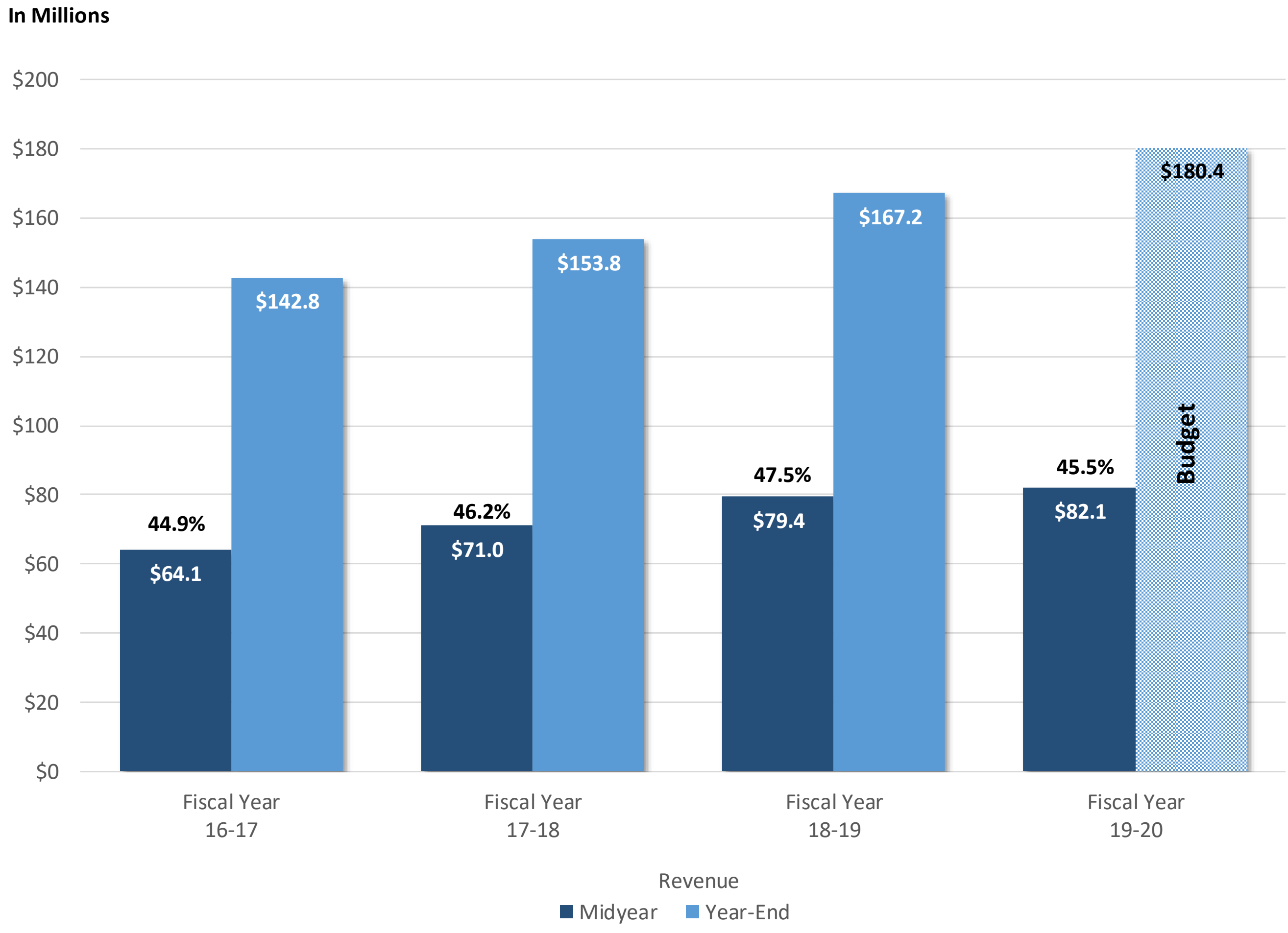
Departments assigned to the Board of Supervisors' priority area of *Delivering Efficient Public Services* include the Assessor, Auditor-Controller, Chief Executive Office, Clerk-Recorder/Elections, County Counsel, General Services Agency, Information Technology Central, and Treasurer-Tax Collector. The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

Overall, 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, 2019, totaled $82.1 million. This represents 45.5% of the estimated annual revenue and is within the range compared to the midyear point of the prior three years when collections ranged from 44.9% to 47.5% of the final actual revenue. The net increase in revenue can primarily be attributed to increased revenue received in Chief Executive Office - Cannabis Program from existing and new revenue contracts and funding received from Cannabis Development Agreements; in Information Technology Central related to modification of the Cost Allocation Plan process to more accurately reflect revenue received from departments for services provided; and in Chief Executive Office - Risk Management Medical Self-Insurance which reflects changes to the number of subscribers and the medical program premium rates, the amount paid by subscribers and departments.

Delivering Efficient Public Services Four-Year Revenue Comparison

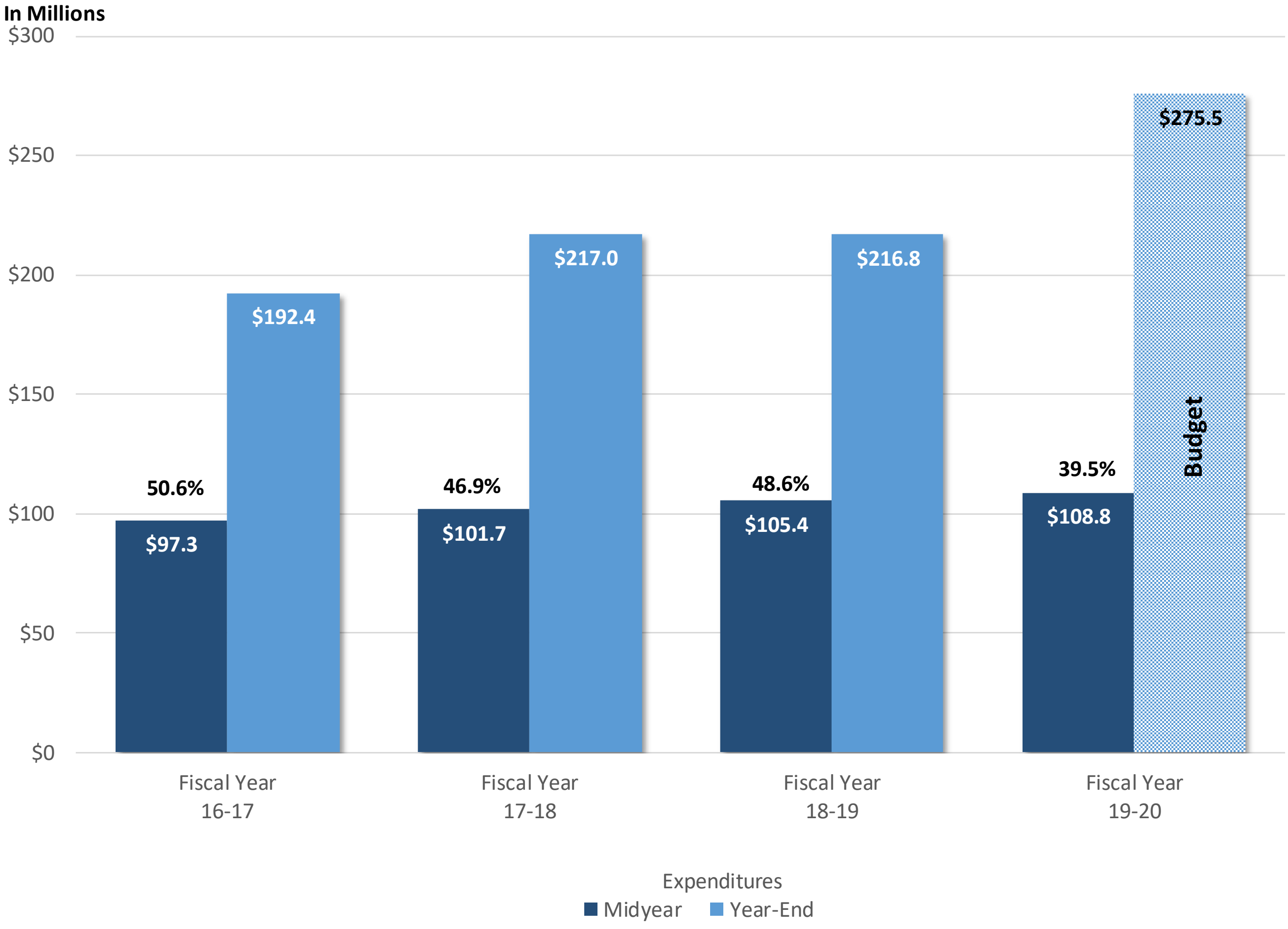


Departmental Expenditures

As of December 31, 2018, expenditures in this Board priority area totaled $108.8 million, representing 39.5% of the appropriations budgeted for the year. Expenditures at the midyear point of the previous three fiscal years ranged from 46.9% 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 actual expenditure to budget ratio when compared to the previous three years. Significant contributors include projects within the Chief Executive Office - Plant Acquisition, Chief Executive Office – Risk Management General Liability Self Insurance, Chief Executive Office – General Fund Contribution to Other Programs, and Clerk Recorder Elections for which higher levels of spending are anticipated in the second part of the fiscal year.

Delivering Efficient Public Services Four-Year Expenditures Comparison



Midyear Issues and Recommendations

The recommendations contained in this report for Delivering Efficient Public Services will increase appropriations in the amount of $728,131 which includes negative technical adjustments of $496,025 and $228,716 to decrease appropriations to reverse an increase for Retirement Replacement Benefits. These adjustments along with a $4.7 million increase in estimated revenue are funded by use of department fund balance in the amount of $878,600, a $4.9 million decrease in General Fund Contribution.

Auditor-Controller

The Auditor-Controller is currently facilitating the adoption of a new Countywide Enterprise Resource Planning (ERP) system. A decrease in appropriations in the Auditor-Controller budget in the amount of $356,330 and subsequent increase in appropriations in the newly created Enterprise Resource Planning budget in the same amount of $356,300 will facilitate cost tracking of the implementation as a separate expense from standard Auditor-Controller activities. The Enterprise Resource Planning budget is funded by a transfer from CEO – General Fund Contribution to Other Programs.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	**Description**
Auditor-Controller	$0	($356,330)	$0	($356,330)	Decrease appropriations to transfer funding to AC - Enterprise Resources Planning Budget Unit, through CEO - Contribution to Other Programs
Enterprise Resources Planning	$0	$356,330	$0	$356,330	Increase appropriations funded by a transfer from CEO - Contribution to Other Programs
Total	**$0**	**$0**	**$0**	**$0**	

Recommendation: It is recommended to decrease appropriations in the Auditor-Controller budget by $356,330 and increase appropriations in the Enterprise Resource Planning budget by $356,330. There is no impact to Net County Cost.

Staffing Recommendation: It is recommended to add one new time-limited block-budgeted Manager I/II position to facilitate the project management of the County-wide new Enterprise Resources Planning (ERP) system. The position will establish clear goals for the project and manage the scope of the project to ensure benchmarks such as timeline and budget is met. This position will exist for the duration of the project, and be funded by the transfer of funding from the General Fund, previously approved by the Board of Supervisors to support the ERP project.

Chief Executive Office – County Operations

A net decrease of $310,198 in appropriations, an increase of $200,000 in estimated revenue, and a decrease of $510,198 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 2019-2020 Adopted Final Budget included a total of $12,008,510 in appropriations for use during the fiscal year for contingencies related to General Fund cash-outs, health insurance increases, Cost Allocation Plan (CAP) charges, and other miscellaneous unforeseen program or community needs. At First

Quarter, a transfer of $1,558,711 was recommended to fund Cost Allocation Plan (CAP) charge increases in multiple General Fund departments, leaving a remaining balance of $10,449,799.

At this time, it is requested that Appropriations for Contingencies be decreased by a total of $2,837,625, transferring funds as follows:

- $525,000 to Sheriff – Operations for termination cash-outs, salaries, and CAP charges;
- $96,249 to CEO – General Fund Contribution to Other Programs for the Department of Environmental Resources Groundwater Sustainability Plans;
- $14,795 to CEO – General Fund Contribution to Other Programs for additional CAP charges in Sheriff – Court Security;
- $1,963,911 to CEO – Mandated County Match for Community Services Agency – Public Economic Assistance;
- $225,000 to CEO – Operations and Services for one-time cleanup of alleys in the unincorporated area; and
- $12,670 to CEO – Risk Management Division for termination cash-outs.

If all midyear transfers are approved, $7,612,174 will remain in CEO - Appropriations for Contingencies for use throughout the balance of Fiscal Year 2019-2020.

General Fund Contribution to Other Programs – An increase in estimated revenue and appropriations of $200,000 and $563,516 respectively is recommended for this budget. An increase in appropriations of $96,249 is recommended to transfer to the Department of Environmental Resources for the County's share of the Groundwater Sustainability Plan. An increase in appropriations of $356,330 is recommended to transfer to the newly-established Enterprise Resource Planning budget, which is offset by a corresponding reduction in the Auditor-Controller's budget. An increase in estimated revenue of $200,000 is recommended for the transfer of unused funding from Public Works related to the County-wide Roads Study. An increase in appropriations of $60,000 is recommended for the 2018-2019 Stanislaus Animal Services Agency true-up payment. Finally, increases in appropriations for transfers to Sheriff – Court Security and various DA grants in the amount of $50,937 are recommended for salaries and CAP charges.

Mandated County Match – An increase in appropriations of $1,963,911 is recommended to transfer to CSA – Public Economic Assistance for a shortfall in 1991 Realignment revenue.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
CEO - Appropriations for Contingencies		($525,000)		($525,000)	Transfer to Sheriff - Operations for termination cash-outs, salaries, and CAP charges
CEO - Appropriations for Contingencies		($96,249)		($96,249)	Transfer to CEO - General Fund Contribution to Other Programs for DER Groundwater Sustainability Plans
CEO - Appropriations for Contingencies		($14,795)		($14,795)	Transfer to CEO - General Fund Contribution to Other Programs for Sheriff - Court Security CAP charges
CEO - Appropriations for Contingencies		($1,963,911)		($1,963,911)	Transfer to CEO - Mandated Match in support of CSA - Public Economic Assistance 1991 Realignment shortfall
CEO - Appropriations for Contingencies		($225,000)		($225,000)	Transfer to CEO - Operations and Services for one-time cleanup of alleys in the unincorporated area
CEO - Appropriations for Contingencies		($12,670)		($12,670)	Transfer to CEO - Risk Management Division for termination cash-outs
CEO - General Fund Contribution to Other Programs		$96,249		$96,249	Increase appropriations to transfer to DER for County's share of Groundwater Sustainability Plans
CEO - General Fund Contribution to Other Programs		$356,330		$356,330	Increase appropriations to transfer to AC - Enterprise Resource Planning Fund
CEO - General Fund Contribution to Other Programs	$200,000			($200,000)	Increase estimated revenue for the return of unused funding designated for the Countywide Roads Study from Public Works
CEO - General Fund Contribution to Other Programs		$60,000		$60,000	Increase appropriations for Stanislaus Animal Services True-Up Payment of $59,245 for Fiscal Year 2018-2019
CEO - General Fund Contribution to Other Programs		$14,795		$14,795	Increase appropriations for Sheriff - Court Security CAP charges
CEO - General Fund Contribution to Other Programs		$36,142		$36,142	Increase appropriations for DA - Auto Insurance Fraud ($11,767) and DA - Real Estate Fraud ($24,375)
CEO - Mandated County Match		$1,963,911		$1,963,911	Increase appropriations for CSA - Public Economic Assistance due to 1991 Realignment shortfall for CSA programs
Total	**$200,000**	**($310,198)**	**$0**	**($510,198)**	

Recommendation: It is recommended to increase revenue by $200,000 and decrease appropriations by $310,198, resulting in a positive impact to Net County Cost of $510,198.

Chief Executive Office – Operations and Services

An increase in appropriations of $225,000 is recommended for one-time cleanup of alleys, in the unincorporated areas of Stanislaus County, funded by a transfer from Appropriations for Contingencies.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Chief Executive Office	$0	$225,000	$0	$225,000	Increase appropriations for one-time cleanup of alleys in the unincorporated area, funded by a transfer from Appropriations for Contingencies
Total	**$0**	**$225,000**	**$0**	**$225,000**	

Recommendation: It is recommended to increase appropriations by $225,000, funded by a transfer from Appropriations for Contingencies.

Chief Executive Office – Risk Management

Risk Management Division – The department has experienced one retirement and ancticipates two more retirements this fiscal year, resulting in termination cash-outs. Most of the costs will be recovered through revenue from CAP charges. An increase of $63,270 in appropriations is funded by $50,600 in estimated revenue and a $12,670 General Fund Contribution.

General Liability Self-Insurance – Defense attorney fees and loss expenses have been on the rise recently due to several factors, including an increase in the number of total claims received by the County, and the rise in costs for litigated cases which do not rise to the level covered by excess insurance. An increase in appropriations of $650,000 is recommended, to be funded by retained earnings. On July 1, 2019, the retained earnings balance was ($1,220,915), due primarily to a sizeable increase in the liability for claims that have been incurred but not reported at year-end. The use of $650,000 in retained earnings projected at midyear will result in an anticipated year-end retained earnings balance of ($1,870,915). The retained earnings deficit will be addressed when the department proposes a retained earnings deficit payback plan in the next two-year budget, beginning in Budget Year 2020-2021.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Chief Executive Office - Risk Management Division	$50,600	$63,270	$0	$12,670	Increase estimated revenue and appropriations to cover termination cash-outs, funded by Net County Cost.
Chief Executive Office - General Liability Self-Insurance	$0	$650,000	$650,000	$0	Increase appropriations for increases in defense attorney fees and settlements, funded by retained earnings.
Total	**$50,600**	**$713,270**	**$650,000**	**$12,670**	

Recommendation: It is recommended to increase appropriations by $713,270, funded by an increase in estimated revenue of $50,600, an increase of $650,000 in departmental retained earnings, and a $12,670 General Fund Contribution.

Clerk-Recorder

Clerk-Recorder, Auditor-Controller, and Chief Executive Office staff are currently working together to review existing Clerk-Recorder and Elections funds. This includes a review of the Department's Performance Visioning Carryover Savings, as well as future funding streams that may be available to support the proposed facilities upgrades initiated by the Board of Supervisor's approval on June 12, 2018. The review is being conducted to ensure that the Department can fund the project while remaining in the currently projected positive fiscal position.

General Services Agency

Fleet Services - Due to higher than expected fuel costs it is recommended to increase revenue and appropriations by $356,200 for fuel costs funded by charges for services through the fuel cardlock program. These fuel costs are a pass through in the Fleet Services budget, departments will be billed for their actual use. In anticipation of future fuel cost fluctuations there is a 15% contingency built into fuel cost estimates for the remainder of the fiscal year.

It is recommended to increase appropriations by $228,600 funded by Department retained earnings for costs associated with retirement of the Fleet Services Manager position and costs associated with double filling the Fleet Services Manager for eight weeks. With the retirement of the Fleet Manager in August, the Department entered into a contract with PrideStaff to hire extra-help to assist with vehicle salvage activities which were not previously budgeted for. This recommendation also includes costs related to computer upgrades to ensure compatibility with Windows 10 as recommended by ITC and small tools for vehicle diagnostics.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	**Description**
Fleet Services Division	$356,200	$356,200	$0	$0	Increase revenue and appropriations for increased fuel card lock program costs funded through charges for services
Fleet Services Division	$0	$228,600	$228,600	$0	Increase appropriations for a retirement cashout, eight week double-fill, contracted extra-help and equipment
Total	**$356,200**	**$584,800**	**$228,600**	**$0**	

Recommendation: It is recommended to increase revenue by $356,200 and increase appropriations by $584,800 funded by $356,200 in revenue and $228,600 in Department retained earnings.

Information Technology Central

Information Technology Central - In an effort to standardize IT service countywide an embedded staffing model has been implemented where ITC employees spend a portion of their time assisting departments with IT support through the use of service level agreements. It is recommended to increase revenue and appropriations by $240,000 to continue supporting embedded services positions for a number of Departments including Behavioral Health and Recovery Services (BHRS), Treasurer Tax Collector, Public Works, County Counsel and Planning and Community Development. ITC assisted BHRS with a cyber-attack recovery in 2018 and recently received a $40,000 insurance payment for costs associated with IT recovery services provided to BHRS.

Cost Allocation Plan (CAP) Charges are trending higher than budgeted as of midyear therefore it is recommended to transfer $5,000 from Fixed Assets to Other Charges to cover CAP charges for the remainder of the fiscal year.

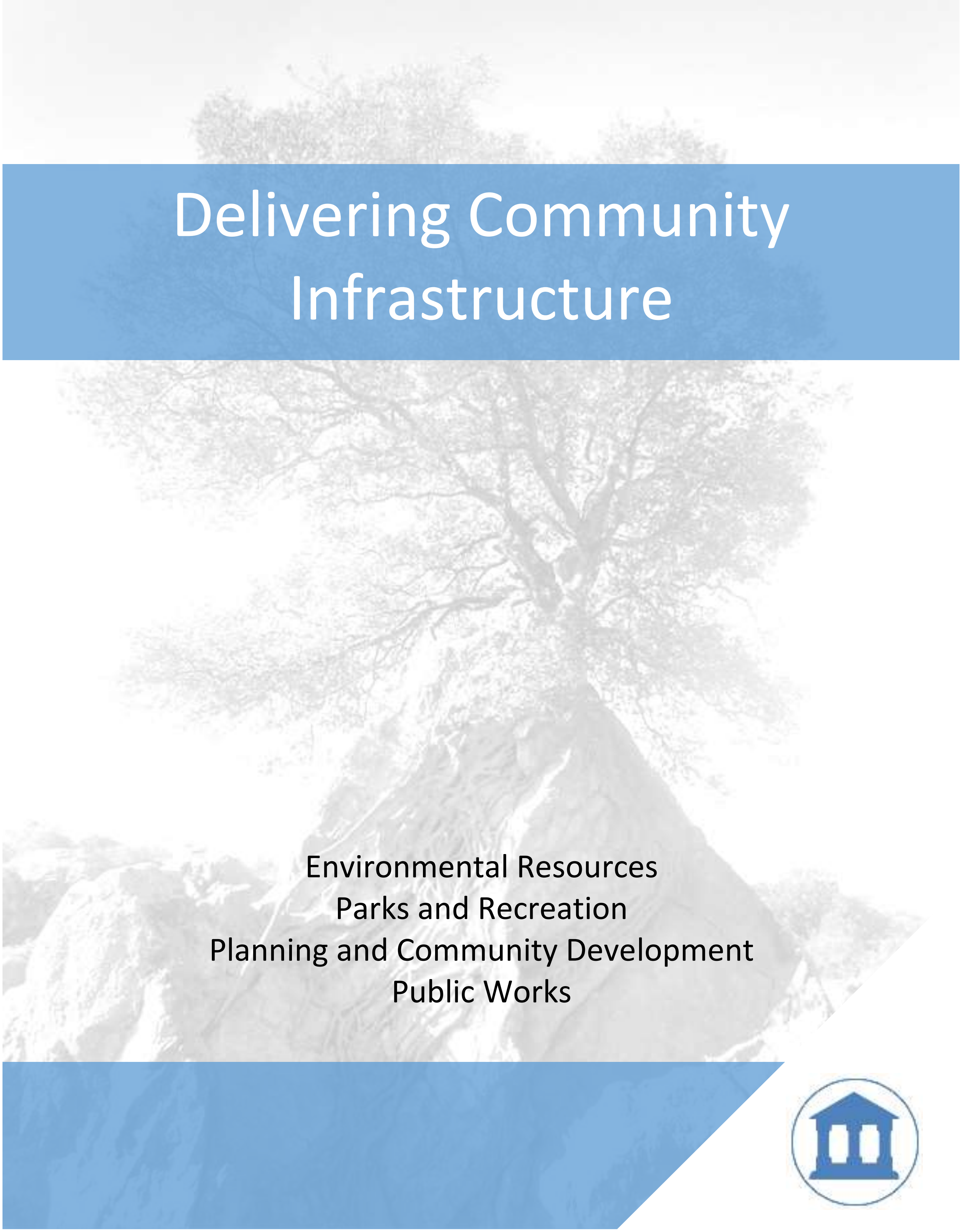
Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Information Technology Central	$240,000	$240,000	$0	$0	Increase revenue and appropriations to account for two additional embedded staff with BHRS and an insurance payment from a previous BHRS cyber attack.
Information Technology Central	$0	$5,000	$5,000	$0	Transfer appropriations from Fixed Assets to Other Charges to address higher trending CAP charges as of midyear.
Information Technology Central	$0	($5,000)	($5,000)	$0	Transfer appropriations from Fixed Assets to Other Charges to address higher trending CAP charges as of midyear.
Total	**$240,000**	**$240,000**	**$0**	**$0**	

Recommendation: It is recommended to increase revenue and appropriations by $240,000 and to transfer $5,000 in appropriations from Fixed Assets to Other Charges to address higher than anticipated CAP charges.

Information Technology Central Telecom - Cost Allocation Plan (CAP) Charges, in particular Depreciation, are trending higher than budgeted as of midyear therefore it is recommended to transfer $25,000 from Fixed Assets to Other Charges to cover these expenses for the remainder of the fiscal year.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
ITC - Telecom	$0	$25,000	$0	$25,000	Transfer appropriations from Fixed Assets to Other Charges to address higher trending CAP charges as of midyear (Depreciation)
ITC - Telecom	$0	($25,000)	$0	($25,000)	Transfer appropriations from Fixed Assets to Other Charges to address higher trending CAP charges as of midyear (Depreciation)
Total	**$0**	**$0**	**$0**	**$0**	

Recommendation: It is recommended to transfer $25,000 in appropriations from Fixed Assets to Other Charges to address projected CAP charges including depreciation expense.



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

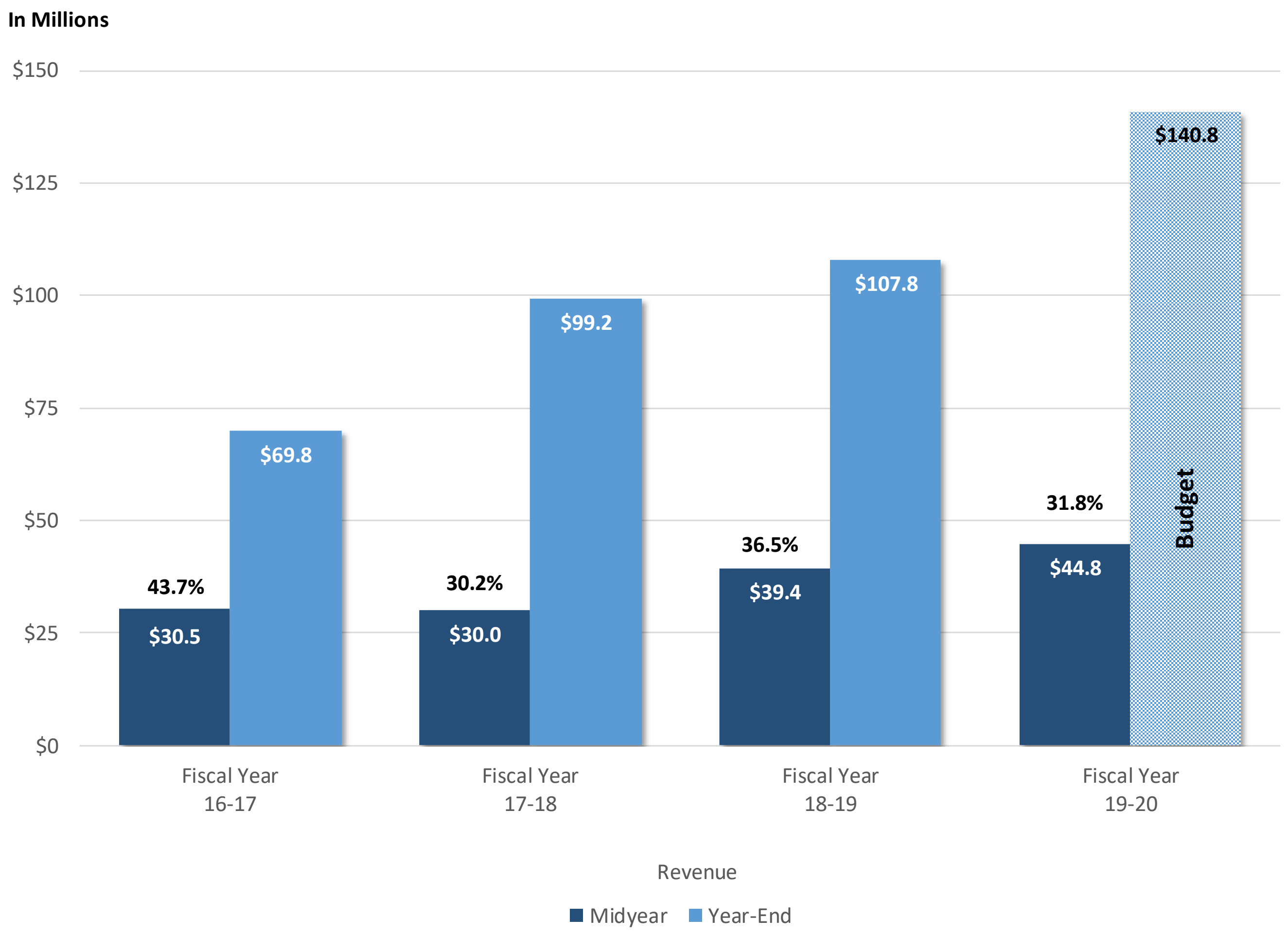
The Board of Supervisors' priority area of *Delivering Community Infrastructure* is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, recreational opportunities, and 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, 2019, actual revenue collected is $44.8 million, which represents 31.8% of the estimated annual revenue. This is within the range when compared to midyear of the prior three years when collections ranged from 30.2% to 43.7% of the final actual revenue.

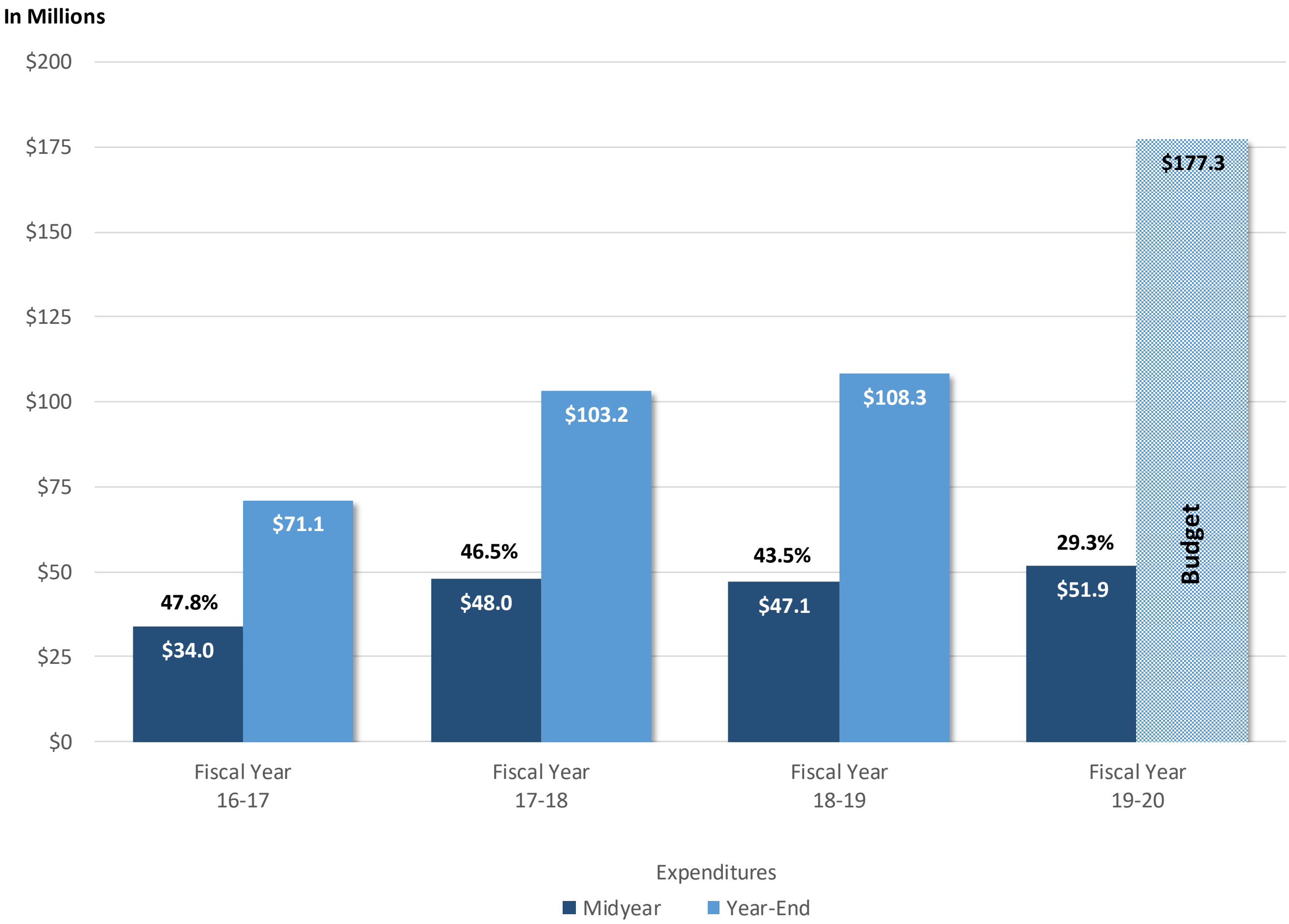
Delivering Community Infrastructure Four-Year Revenue Comparison



Departmental Expenditures

As of December 31, 2019, expenditures are $51.9 million, representing 29.3% of the budgeted appropriations. Expenditures at midyear of the prior three years ranged from 43.5% 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.

Delivering Community Infrastructure Four-Year Expenditures Comparison



Midyear Issues and Recommendations

The recommendations contained in this report for the priority of Delivering Community Infrastructure will increase appropriations in the amount of $1.4 million, which includes a negative $241,584 technical adjustment to decrease appropriations to reverse an increase for Retirement Replacement Benefits. These adjustments are funded with a $11,073 increase in estimated revenue and $1.5 million in departmental fund balance, resulting in a $145,335 decrease in General Fund Contribution.

Environmental Resources

An increase of $96,246 in appropriations is needed to fund the County's cost-share obligation towards the first-year implementation of the Groundwater Sustainability Plans (GSP) for the Northern & Central Delta-Mendota Region ($59,801) and the Eastern San Joaquin Groundwater Sub basin ($36,445). These costs are based upon "fair-share" allocation formulas considering pro-rata developed acreage, population and groundwater pumping occurring within each basin and adjusted for each independent GSAs jurisdictional footprint. An adjustment is needed due to costs related to preparing the required Annual Report and associated water level and water quality monitoring programs and database for each GSP's groundwater basin. The initial Annual Report for each GSP is due April 1, 2020. Once the initial templates and reporting formats and procedures are established, future Annual Reports are expected to be prepared at a significant reduction in cost.

Estimated revenue is projected to be lower than originally budgeted by $321,109 due to a reduction in milk and dairy inspection and well permit fees. The milk and dairy inspection fees have declined due to the loss of dairies and larger dairies purchasing many of the smaller dairies. Since we are no longer in a drought, the well permit fees have also steadily declined.

A transfer from fixed assets to other charges in the amount of $199,707 is needed for increases in Cost Allocation Plan (CAP) charges primarily due to an increase in General Liability. Additionally, a technical adjustment in the amount of $837,877 will properly budget an Intrafund account that abates salary costs from other programs and is budgeted at a negative amount.

Increases in appropriations in the AB939 Source reduction and Recycling, Used Oil Recycling, and Household Hazardous Waste budgets will appropriately budget each of the program's administrative costs.

	Reccomended Budget Adjustment				
Budget	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	**Description**
Environmental Resources	$0	$96,246	$0	$96,246	Increase appropriations for the County's cost-share obligation for first year implementation of the Groundwater Sustainability Plans, funded by an increase in Net County Cost.
Environmental Resources	$0	$837,877	$837,877	$0	Increase in appropriations to reduce off-setting negative intrafund account that accounts for other programs staff costs.
Environmental Resources	($321,109)	$0	$321,109	$0	Decrease in estimated revenue due to decreases in milk and dairy inspection and well permit fees; program costs will be funded by department fund balance.
Environmental Resources	$0	($199,707)	($199,707)	$0	Transfer appropriations from Fixed Assets to Other Charges, to fund increases in Cost Allocation Plan (CAP) charges.
Environmental Resources	$0	$199,707	$199,707	$0	Increase appropriations in Other Charges to fund increases in Cost Allocation Plan (CAP) charges.
DER AB 939 - Source Reduction and Recycle	$0	$1,561	$1,561	$0	Increase appropriations to fund program's administrative costs.
DER - Used Oil Recycling	$0	$283	$283	$0	Increase appropriations to fund program's administrative costs.
DER - Household Hazardous Waste	$0	$99,582	$99,582	$0	Increase appropriations to fund program's administrative costs.
Total	**($321,109)**	**$1,035,549**	**$1,260,412**	**$96,246**	

Recommendation: It is recommended to decrease estimated revenue by $321,109 and increase appropriations by $1,035,549, funded by an increase of $96,246 in net county cost and $1,260,412 use of department fund balance.

Parks and Recreation

Estimated revenue is increased by $170,000 as a result of the 2019 Dirty Bird event held at the Modesto Reservoir. This increase in revenue will fund the replacement of 24 aged computers that are unable to be upgraded to Windows 10, increases in garbage collection rate increase of 25%, fuel, portable toilets, utilities, water testing, equipment and leases, and contract costs.

Regional Water Safety Training Center – A donation received in the amount of $5,000 and exclusive use fees of $1,396 will fund increased operation costs and replacement of the pool chlorinator that is approximately 10 years old and has a normal life expectancy of 5 years.

Off-Highway Vehicle Fund – An increase in appropriations of $124,855 will fund Cost Allocation Plan (CAP) charges and appropriately set up the budget for grant activities. The increase is the result of the timing of the grant year with fiscal year and is funded with department fund balance.

Recommended Budget Adjustment					
Budget	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	Description
Parks and Recreation	$170,000	$170,000	$0	$0	Increase estimated revenue and appropriations for increases in operation costs.
Parks - Regional Water Safety Training Center	$6,396	$6,396	$0	$0	Increase estimated revenue and appropriations for the replacement of the Empire pool chlorinator and operation costs, funded by donations.
Parks - Off-Highway Vehicle Fund	$0	$124,855	$124,855	$0	Increase in appropriations for grant activities due to the timing difference between the grant year and the fiscal year, funded by fund balance
Total	**$176,396**	**$301,251**	**$124,855**	**$0**	

Recommendation: It is recommended to increase estimated revenue by $176,396 and appropriations by $301,251, funded by department fund balance of $124,855.

Staffing Recommendation: It is recommended to add one new Accounting Technician position to effectively and efficiently process accounting related items while providing the appropriate level of internal controls within the department.

Planning and Community Development

Building Permits – Building Permit Revenue is tracking approximately 6% lower than originally estimated. It is recommended to increase the use of departmental fund balance by $144,214 to cover the revenue deficit. This budget unit had a beginning fund balance of nearly $3 million. The legal budget as of December 31, 2019 included the use of $241,060 in department fund balance, and if this recommendation is approved it is estimated the year-end fund balance will be approximately $2.6 million.

Budget Unit Name	**Recommended Budget Adjustment**				**Description**
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Planning - Building Permits	($144,214)	$0	$144,214	$0	Decrease estimated revenue and increase use of Fund Balance due to Building Permit Revenue tracking lower than budget.
Total	**($144,214)**	**$0**	**$144,214**	**$0**	

Recommendation: It is recommended to decrease estimated revenue by $144,214 requiring an additional use of fund balance in the amount of $144,214.

Public Works

Administration –The Administration legal budget unit supports other Public Works legal budget units and charges these budgets for the provided services. This fiscal year the Engineering Fund was consolidated into Road and Bridge Fund 1101. This consolidation affected the way the Administration budget recognizes revenue. In the past, revenue from the Engineering Fund was in the form of a credit in its Intrafund account. Now, this revenue will be recognized in Charges for Services. This requires a technical adjustment increasing appropriations and estimated revenue by $300,000 to properly account for this revenue.

Morgan Shop – The Department has identified a needed technical adjustment to account for building depreciation expense and requires a transfer of $260,000 in appropriations from Fixed Assets to Other Charges.

Road and Bridge – The Road and Bridge legal budget unit receives funding from multiple sources including revenue from the state for SB 1. In order to better track revenue received for SB 1 projects the Department has requested to establish a new interest-bearing special revenue fund in the Road and Bridge legal budget unit.

Budget Unit Name	**Recommended Budget Adjustment**				**Description**
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/General Fund Contribution	
Public Works - Administration	$300,000	$300,000	$0	$0	Increase appropriations and estimated revenue to properly recognize revenue due to the Engineering Division moving into Road and Bridge.
Public Works - Morgan Shop	$0	$260,000	$260,000	$0	Transfer appropriations into Other Charges from Fixed Assets for new building depreciation expense.
Public Works - Morgan Shop	$0	($260,000)	($260,000)	$0	Transfer appropriations from Fixed Assets to Other Charges for new building depreciation expense.
Total	**$300,000**	**$300,000**	**$0**	**$0**	

Recommendation: It is recommended to increase estimated revenue and appropriations by $300,000 and transfer $260,000 from Fixed Assets to Other Charges. Additionally, it is recommended the Auditor-Controller establish a new interest-bearing special revenue fund for SB 1 funding within the Road and Bridge legal budget unit.

Staffing Recommendation: It is recommended to study a request to add a new classification of Transportation Project Coordinator and to conduct a classification study on one Associate Civil Engineer position.

It is also recommended to conduct a classification study on the Civil Engineering Series in the Traffic, Design, and Constructions divisions.

Special Districts

At the time of the Fiscal Year 2019-2020 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 2019-2020 resulted in the requested changes to the Adopted Final Budgets for four County Service Areas (CSA) and five Lighting and Lighting Districts.

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 Areas:

A net increase of appropriations of $33,800 is requested to the following

- $400 for CSA 8 to cover the increased costs of street sweeping services;
- $13,400 for CSA 10 (Parks) for increased costs in landscaping services;
- $20,000 for CSA 19 for the storm water pump rebuild/repair.

County Service Area

		Estimated Revenue			Appropriations/Expenditures		
Fund	County Service Area	Fiscal Year 2019-2020 Adopted Final Budget	Recommended Midyear Budget Adjustment	Recommended Midyear Budget	Fiscal Year 2019-2020 Adopted Final Budget	Recommended Midyear Budget Adjustment	Recommended Midyear Budget
1811	County Service Area No. 8- Honey Bee Estates	$1,782	$0	$1,782	$721	$400	$1,121
1814	County Service Area No. 10 - Salida	$416,212	$0	$416,212	$410,000	$13,400	$423,400
1826	County Service Area No. 19 - Sterling/Runyan	$200,848	$0	$200,848	$73,395	$20,000	$93,395
Total			$0			$33,800	

These requested changes bring the CSA budgets in line with the previously approved engineer`s reports.

The total budgeted amount for all the CSAs in Midyear Budget 2019-2020 is $975,917. The Midyear Budget is funded by $711,497 in revenue and $264,420 in fund balance.

Lighting and Lighting Maintenance:

A net increase of appropriations of $58,220 is requested to the following:

- $14,840 for the Installation of four new light poles that will be added to the Denair Lighting District in the second half of Fiscal Year 2019-2020 to improve public and traffic safety;
- $10,000 for the Empire Lighting District, $24,000 for the Salida Lighting District, and $6,000 to the Sylvan Village Lighting District due to the costs associated with the Modesto Irrigation District's (MID) repair and maintenance services provided to these districts on behalf of the County in the periods of July 2017 through June 2020;
- $3,380 for the North Oaks Lighting District to reflect the increased expenses associated with maintenance and the installation of LED lights.

		Lighting and Lighting Maintenance Districts					
		Estimated Revenue			Appropriations/Expenditures		
Fund	Lighting and Lighting Maintenance District	Fiscal Year 2019-2020 Adopted Final Budget	Recommended Midyear Budget Adjustment	Recommended Midyear Budget	Fiscal Year 2019-2020 Adopted Final Budget	Recommended Midyear Budget Adjustment	Recommended Midyear Budget
1856	Denair Lighting District	$55,659	$0	$55,659	$123,431	$14,840	$138,271
1857	Empire Lighting District	$30,310	$0	$30,310	$32,914	$10,000	$42,914
1866	North Oaks Lighting District	$4,493	$0	$4,493	$4,767	$3,380	$8,147
1872	Salida Lighting District	$127,741	$0	$127,741	$140,452	$24,000	$164,452
1874	Sylvan Village Lighting District	$6,104	$0	$6,104	$6,482	$6,000	$12,482
Total			$0			$58,220	

The total budgeted amount for all Lighting and/or Landscape Districts in Midyear Budget 2019-2020 is $733,259. The Midyear Budget is funded by $568,724 in revenue and $164,535 in fund balance.

Technical Adjustments

On November 26, 2019, the Board of Supervisors accepted the Auditor-Controller's report on the County's Retirement Replacement Benefits Program and authorized budget adjustments in the amount of $1,922,496 for the cost of the benefits paid to retirees since the inception of the plan in 2003 (including interest). The Retirement Obligation Assignment of General Fund Balance was used to fund $1,477,903 of the increase that was related to General Fund departments. The remainder of the increase was funded by departmental revenue.

Subsequent to the approval, the County's outside auditors reviewed the program and determined that the costs attributed to prior periods needed to be posted to the financial statements ending June 30, 2019, in the Comprehensive Annual Financial Report (CAFR). The value of the prior period costs was $1,805,512, of which $1,389,427 was for General Fund departments. As a result, the Retirement Obligation Assignment was reduced by $1.4 million in Fiscal Year 2018-2019 to fund the General Fund portion of those costs.

Since department budgets were increased by $1.9 million in November 2019 to fund the entire cost of the plan, department budgets are now overfunded. The estimated cost for Fiscal Year 2019-2020 is $116,984.

In order to bring department budgets in line with actual costs associated with the Retirement Replacement Benefit Plan costs for Fiscal Year 2019-2020, decreases in appropriations and estimated revenue are recommended for the value of the prior period costs as follows:

Retirement Replacement Benefit Plan Decreases		
Department	Appropriations	Revenue
Behavioral Health and Recovery Services	(416,085)	(416,085)
CEO - County Court Funding	(130,483)	
CEO - Operations and Services	(496,025)	
County Counsel	(228,716)	
Planning and Community Development	(241,584)	
Probation - Administration	(224,579)	
Sheriff - Administration	(68,040)	
Total Decreases	$ (1,805,512)	$ (416,085)

Recommendation: It is recommended to decrease appropriations by $1,805,512 and estimated revenue by $416,085 in various departments as identified in the table above, which will result in a contribution of $1,389,427 to General Fund Balance.

Midyear Financial Report Conclusion

The Midyear Financial Report shows the County budget is balanced and actual performance is tracking well with the 2019-2020 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 5, 2020, to present the 2019-2020 Third Quarter Financial Report.

Budget Schedule

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

	2019-2020 Third Quarter Financial Report	2020-2021/2021-2022 Proposed Budget	2020-2021/2021-2022 Final Budget
Instructions Issued	March 6, 2020	February 3, 2020	June 22, 2020
Department Submissions Due	March 27, 2020	March 30, 2020	July 10, 2020
Board of Supervisors Hearing	May 5, 2020	June 23, 2020	September 22, 2020