Third Quarter Financial Report
July 2022 – March 2023

Board of Supervisors

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Submitted by Jody Hayes, Chief Executive Officer

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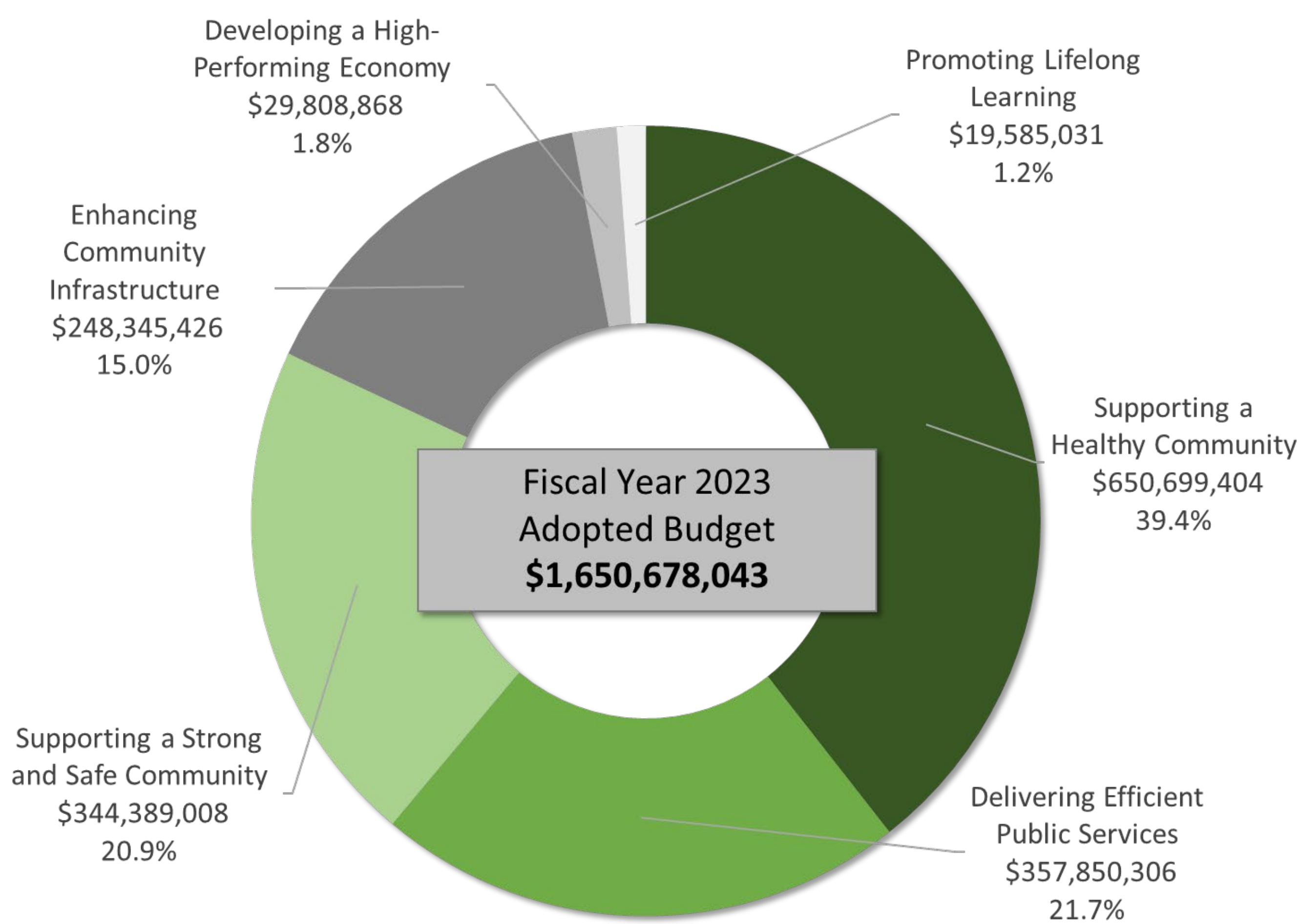
Introduction

This is the Fiscal Year 2023 Third Quarter Financial Report for Stanislaus County submitted by the Chief Executive Officer for the period of July 1, 2022, to March 31, 2023. 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 Adopted Budget was approved in September 2022, including those incorporated through quarterly financial reports and individual agenda items approved by the Board of Supervisors throughout the fiscal year.

Background

On September 20, 2022, the Board of Supervisors adopted the 2023 Adopted Budget. This $1.65 billion operational plan reflected a net increase of $160.9 million from the 2022 Adopted Budget. The 2023 Adopted Budget was balanced using a combination of $1.5 billion in estimated revenue and $147.3 million in fund balance, retained earnings, and other one-time funding sources. It also included support for 4,746 full-time allocated positions, an increase of 159 positions over the 2022 Adopted Budget level. The following chart reflects the 2023 Adopted Budget organized by the Board priority.

2023 Adopted Budget Expenditures by Board Priority

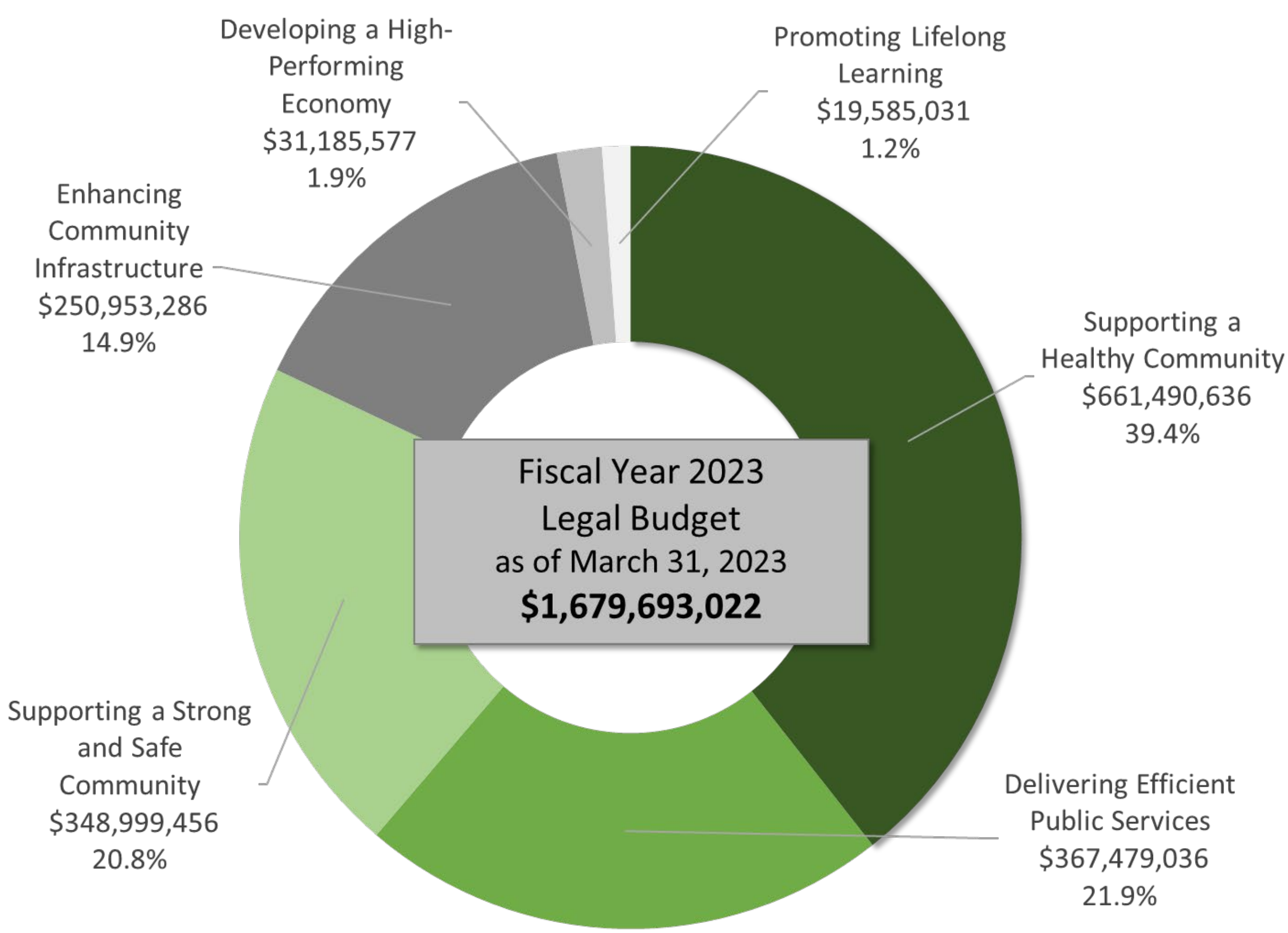


Summary of Budget Adjustments

The Adopted Budget is adjusted each year to include appropriations that are carried forward from the prior fiscal year for projects that were planned for and authorized by the Board of Supervisors but were not fully completed. Additionally, the Board of Supervisors approves budget adjustments identified through quarterly financial reports and separate Board agenda items presented throughout the fiscal year. The sum of adjustments made through March 31, 2023, total $29 million.

The County's Legal Budget as of March 31, 2023, prior to the inclusion of any recommended budget adjustments identified in this 2023 Third Quarter Financial Report, totaled $1.68 billion, as reflected in the following chart.

2023 Legal Budget as of March 31, 2023, by Board Priority



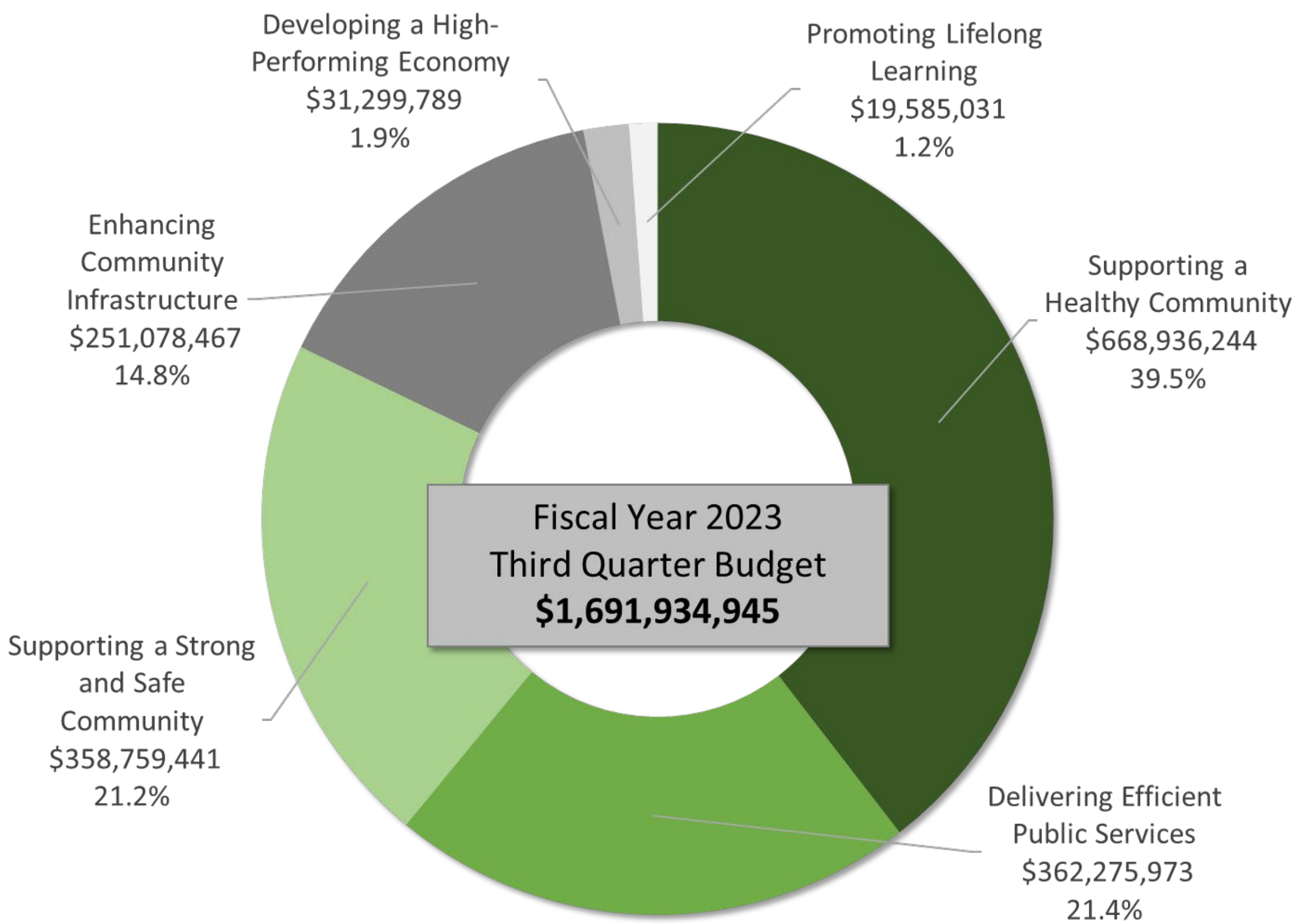
2023 Third Quarter Financial Report Overview

The 2023 Third Quarter Financial Report serves as a fiscal review of departmental programs and includes recommended adjustments to ensure that departments complete the fiscal year within their approved budgets. The report also includes a brief analysis on multi-year trends for both revenue and expenditures by Board priority area. Updates are also provided on Discretionary Revenue and vacancy rate rebates for General Fund departments experiencing limited vacancies.

The recommendations presented in the 2023 Third Quarter Financial Report include a total increase in estimated revenue of $14.9 million and $18.4 million in overall appropriations offset using $6.2 million in transfers from Appropriations for Contingencies for a net $12.2 million in increased appropriations. These transfers will provide support to various General Fund departments to cover vacancy rate rebates, termination cash-outs, Recruitment and Retention Strategy costs, and other unanticipated needs. The transfer of Appropriations for Contingencies requires a four-fifths vote by the Board of Supervisors. If approved, approximately $4 million in available funding will remain in Appropriations for Contingencies for use throughout the remainder of Fiscal Year 2023.

The following chart depicts the recommended $1.69 billion 2023 Third Quarter Budget, organized by Board of Supervisors' priority area, inclusive of the recommended budget adjustments that are described in greater detail by department in subsequent sections of the report.

2023 Recommended Third Quarter Budget Expenditures by Board Priority



Consistent with standard accounting practices, the County's budget is divided into separate financial entities known as "funds". The following table provides a summary of recommended adjustments included in the 2023 Third Quarter Financial Report by fund type, showing the progression from the 2023 Adopted Budget to the recommended 2023 Third Quarter Budget.

Summary of Third Quarter Appropriation Adjustments by Fund Type

Fund Type	2023 Adopted Budget	Legal Budget as of 03/31/23	Recommended 2023 Third Quarter Adjustments	Recommended 2023 Third Quarter Budget
General Fund	$ 499,475,067	$ 501,743,587	$ 2,642,386	$ 504,385,973
Special Revenue Fund	919,222,390	945,581,839	8,041,053	953,622,892
Capital Projects Fund	4,875,221	4,875,221	-	4,875,221
Enterprise Fund	73,094,456	73,094,456	-	73,094,456
Internal Service Fund	154,010,909	154,397,919	1,558,484	155,956,403
Total - All Funds	**$ 1,650,678,043**	**$ 1,679,693,022**	**$ 12,241,923**	**$ 1,691,934,945**

General Fund

The recommended Third Quarter Budget for the General Fund is $504.4 million, a net increase of $2.6 million over the Legal Budget as of March 31, 2023. This change represents an overall total increase of $8.8 million in departmental adjustments offset by the transfer of $6.2 million from Appropriations for Contingencies, for a net increase of $2.6 million.

The recommended increases include: $9.1 million to right size the Sheriff's Budget as a result of a zero-based analysis on the impact of the Employee Recruitment and Retention Strategy costs, which was not included in the 2023 Adopted Budget, offset by a $444,900 refund of Mandated County Match from the Community Services Agency as a result of an increase in 1991 Realignment growth, benefiting the General Fund.

Special Revenue Funds

The recommended Third Quarter Budget for Special Revenue funds totals $953.6 million, an increase of $8 million over the Legal Budget as of March 31, 2023. The recommended increase is primarily due to a $6.8 million increase for the Community Services Agency's Public Economic Assistance programs. This increase is needed due to the end of COVID-19 related stimulus funding and high inflation increasing the cost of goods resulting in increased caseloads. Other technical adjustments include $434,800 to fund the Employee Recruitment and Retention Strategy costs, $600,000 to fund a new electronic health record system for Behavioral Health and Recovery Services, and $229,369 to fund an In-Home Supportive Services wage supplement in the Community Services Agency which became effective on May 1, 2023.

Capital Projects Funds

The recommended Third Quarter Budget for Capital Projects funds totals $4.9 million, consistent with the Legal Budget as of March 31, 2023; there are no recommended adjustments for these funds at third quarter.

Enterprise Funds

The recommended Third Quarter Budget for Enterprise funds totals $73.1 million, consistent with the Legal Budget as of March 31, 2023; there are no recommended adjustments for these funds at third quarter.

Internal Service Funds

The recommended Third Quarter Budget for Internal Service funds is $156 million, an increase of $1.6 million over the Legal Budget as of March 31, 2023. The recommended increases include $1.3 million for County Operations – General Liability Insurance budget, a conservative approach used to cover program costs through the end of the fiscal year. An increase of $203,484 in Auditor-Controller –

Enterprise Resource Planning will fully account for available project funds.

Fund Balance

The beginning fund balance on July 1, 2022, for all funds was $715.6 million, inclusive of post-closing adjustments (as footnoted in the following table). The 2023 Adopted Budget included the planned use of $147.3 million in fund balance. Adjusted to include Board of Supervisors' actions approved through March 31, 2022, a total of $137.7 million in the use of fund balance is projected for all departments.

The recommendations contained in the Third Quarter Financial Report include adjustments decreasing the use of fund balance by an overall $2.7 million. This includes a return of $4.8 million to the General Fund for increases in Discretionary Revenue due primarily to forecasted growth in estimated sales tax, Proposition 172, interest, and property tax revenues. Additionally, recognition of 2011 and 1991 Realignment growth revenue in Behavioral Health and Recovery Services reduced reliance on fund balance by $3.5 million. These increases are offset by $5.7 million in new uses for fund balance, detailed in each priority area of this report.

Inclusive of the budget adjustments identified in this 2023 Third Quarter Financial Report, projected fund balance on June 30, 2023, is forecast to be $580.6 million across all funds. The following chart presents the beginning and projected year-end fund balance, listed by fund type and in total, inclusive of the recommended use at third quarter.

Summary of Fund Balance by Fund Type

Fund Type	Beginning Fund Balance on 7/1/22*	Legal Budget Revenue as of 3/31/2023	Legal Budget Appropriations as of 3/31/2023	Recommended Third Quarter Use of Fund Balance	Projected Fund Balance on 6/30/23
General Fund	$ 238,925,834	$ 442,043,725	$ 501,743,587	$ (1,721,382)	$ 180,947,354
Special Revenue Funds	333,482,697	892,291,829	945,581,839	(3,082,594)	283,275,281
Capital Projects Funds	3,236,423	4,635,245	4,875,221	-	2,996,447
Enterprise Funds	99,298,896	60,568,217	73,094,456	650,000	86,122,657
Internal Service Funds	40,696,320	142,452,021	154,397,919	1,503,484	27,246,938
Total All Funds	**$ 715,640,170**	**$ 1,541,991,037**	**$ 1,679,693,022**	**$ (2,650,492)**	**$ 580,588,677**

**Note: The 2023 Adopted Budget document reported a total beginning fund balance of $754,486,336. Since that time, post-closing adjustments totaling $38,846,166 have been posted for all funds which resulted in a revised beginning fund balance of $715.6 million, as depicted above. Significant post-closing adjustments included interest accruals and fair market value adjustments for all funds, among others.*

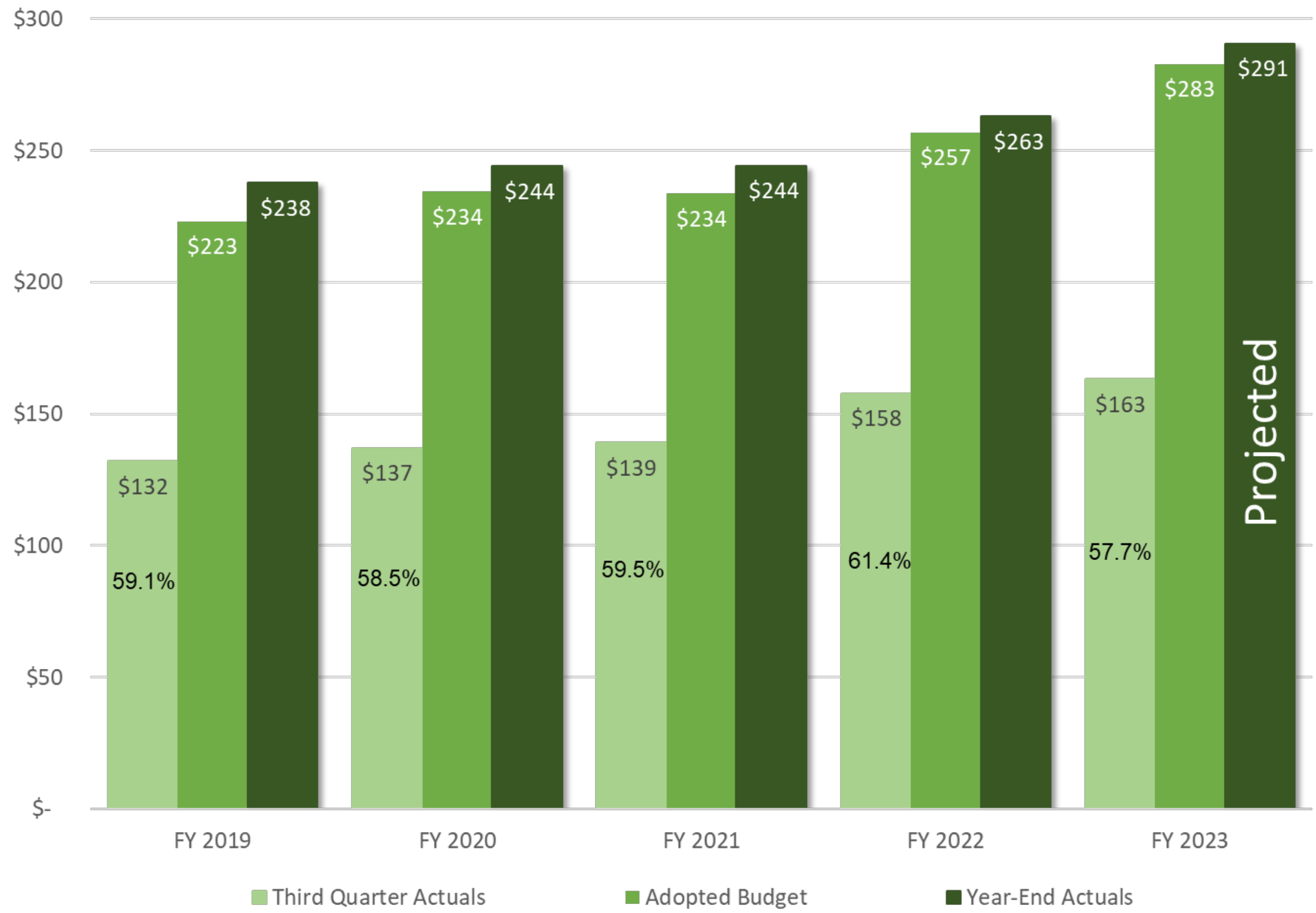
Discretionary Revenue

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 2023 Adopted Budget was projected at $282.7 million and was adjusted using updated projections to $285 million in the 2023 Midyear Financial Report. After review of receipts through March 31, 2023, it is recommended to increase the budget at third quarter by $5.6 million, bringing total Discretionary Revenue to $290.6 million, inclusive of a transfer of $813,000 from the County Operations – Debt Service budget.

As of March 31, 2023, approximately $163.2 million in revenue had been received, representing 57.7% of that projected in the 2023 Adopted Budget. Over the past four years, Discretionary Revenue collected through third quarter ranged from 58.5% to 61.4% of the Adopted Budget projection, placing this year's receipts below the historical range. Additionally, the four-year history chart shows that revenue realized through third quarter ranged from 55.5% to 60% of actual year-end total receipts. Revenue received through March represents 56.2% of the year-end estimate updated at third quarter.

The following chart provides a visual five-year comparison of activity noted at third quarter, including current and previous years' data showing nine months of revenue receipts. The Adopted Budget estimates and year-end actuals for the previous four years are also identified, using the updated projections identified at third quarter for Fiscal Year 2023.

General Fund – Discretionary Revenue Five-Year Comparison



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

Taxes

Included in this category are various property-related taxes (secured, unsecured, supplementals, redevelopment pass-through increment, property tax received in lieu of vehicle license fees, and property transfer tax), 1% sales and use taxes, and transient occupancy taxes. Analysis of receipts through March 2023 indicates additional revenue from property taxes (secured and unsecured), supplemental property taxes, redevelopment pass-through increments, 1% sales and use taxes, and occupancy tax through the end of this fiscal year. Statewide sales tax projections continue to show a potential for modest growth over the Legal Budget as of March 31, 2023; however, growth appears to be slowing. Projections total $203.2 million, which represents an increase of $2.6 million in this category, specifically for current property taxes and redevelopment pass-through increments. An increase of $2.6 million for all property tax is recommended at third quarter.

Reports for sales and use taxes have been produced by the County's expert consultants and consider potential impacts from COVID-19 emergency orders and legislation on consumer purchases and tax payments to the State. Heading into 2023, additional interest rate hikes along with consumer sentiment waning regarding the economy foretells minimal change coming from California's taxable sales in the months ahead. As a result, a conservative decrease in this category of $28,000 is recommended tied to a fiscally cautious local economic forecast and decreased receipts projected. These actions reflect a desire to remain optimistic yet fiscally cautious during this uncertain time. This decrease brings projected Sales and Use taxes to $36.2 million.

Fines, Forfeitures and Penalties

The Fines, Forfeitures and Penalties category includes penalties on delinquent taxes. The predominant factor determining the year-end balance is the annual rightsizing of the tax loss reserve fund per Revenue & Taxation Code. Current projections indicate a potential increase in this area of $1.1 million as calculations indicate an increase in payments of delinquencies in the current fiscal year.

Revenue from the Use of Money

Interest earnings from pooled cash are trending higher than that budgeted in the Legal Budget as of March 31, 2023. In consultation with the County Treasurer-Tax Collector – Treasury division, a $525,000 increase is recommended in this category.

Intergovernmental Revenue

The Intergovernmental Revenue category represents revenue received from Federal, State, and other governmental sources in the form of grants, shared revenues, and payments in lieu of taxes. The largest contributor to this category comes from a one-half cent Sales and Use Tax for local public safety services, also known as Proposition 172.

At third quarter, the strong growth seen in sales tax, which began in Fiscal Year 2022, has slowed but remains at historic levels. This growth is related to legislative changes such as Assembly Bill (AB) 147 which affects the allocation of sales taxes generated from online sales. At the onset of the COVID-19 pandemic, a shift in consumer spending from brick-and-mortar establishments to online purchasing accelerated and continues to have a significant and positive impact on local sales tax receipts. As a result, an increase in this category of $721,000 is recommended.

Discretionary Revenue Third Quarter Adjustments

Discretionary Revenue Category	FY 2022 Actuals	Legal Budget as of 03/31/2023	FY 2023 Third Quarter Projections	Recommended Third Quarter Adjustments
Taxes	$ 197,150,921	$ 200,695,637	$ 203,239,933	$ 2,544,000
Licenses, Permits, and Franchises	1,358,327	1,100,000	1,100,000	-
Fines, Forfeitures, and Penalties	3,420,437	1,250,000	2,300,000	1,050,000
Revenue from the Use of Money	(13,644,706)	5,720,001	6,245,001	525,000
Intergovernmental Revenue	65,400,608	69,634,000	70,355,000	721,000
Charges for Services	4,022,961	2,957,903	3,770,903	813,000
Miscellaneous Revenue	1,291,747	-	85,000	85,000
Other Financing Sources	3,980,647	3,642,026	3,474,918	(167,108)
Total Discretionary Revenue	**$ 262,980,942**	**$ 284,999,567**	**$ 290,570,755**	**$ 5,570,892**

Recommendation: It is recommended to increase Discretionary Revenue by $5.6 million, inclusive of a General Fund neutral transfer of $813,000 from the Debt Service budget, for a net increase to fund balance in the General Fund from these transactions of $4.8 million.

Net County Cost Savings

Midyear analysis of the County's fiscal health, including Discretionary Revenue trends, available cash, General Fund unreserved fund balance as a percentage of expenditures, State Budget impacts, and the Long-Range Model, resulted in a cautious economic outlook for Stanislaus County. Based on this evaluation, implementation of the Performance Visioning Carryover Savings (PVCS) program was not recommended, meaning that all Fiscal Year 2023 Net County Cost savings will be absorbed by the General Fund at year end. Projections as of March 31, 2023, have identified potential savings of $8.4 million, which includes cost savings along with increased revenue experienced in departments receiving General Fund support, reducing the reliance on Net County Cost. Any savings realized at year end will be returned to the General Fund and available for budget balancing in Budget Year 2024.

Vacancy Rates

The two-year budget process is traditionally built on zero-based budget projections, department long-range modeling, and focused on a two-year strategy or plan aligned with each department's success measures. Due to the concurrent implementation of the new financial management system, traditional processes were streamlined to accommodate the redirection of staff time to manage this priority project. This meant that for General Fund departments, instead of the standard zero-based budgeting exercise traditionally used in Year One of the two-year budget model, the 2023 Adopted Budget base budget was established through a series of steps that began with the 2022 Adopted Budget, backing out one-time costs and revenues and adding in any ongoing costs and revenues approved by the Board of Supervisors after adoption of the 2022 Adopted Budget and applying standard escalators to account for typical cost increases.

The 2022 Adopted Budget included a 5% vacancy rate salary deduction applied to all General Fund departments containing 30 or more allocated positions. This practice has been based on ten-year historical analysis, showing most recently that the County experiences an average vacancy rate of 11.1%. This 5% vacancy rate deduction was inherently built into the 2023 Adopted Budget since it used the 2022 Adopted Budget as its base prior to applying standard escalators. To calculate the vacancy rate adjustment for 2023 Third Quarter analysis, the deduction applied in the 2022 Adopted Budget was escalated by the same 3% rate used for salaries and benefits in the 2023 Adopted Budget.

At third quarter, actual fiscal year-to-date vacancy rates for General Fund departments containing 30 or more allocated positions averaged 13.2%, above the historical average. The following table identifies the nine-month average for General Fund departments, accounting for all allocated positions and the resulting calculated average vacancy rate for each General Fund budget using data from July 1, 2022, through March 1, 2023.

Departments experiencing a vacancy rate over 5% and up to 7.5% are recommended to receive a 50% rebate of their applied vacancy rate deduction while departments experiencing a 5% or lower vacancy rate are recommended to receive a 100% rebate. Vacancy rate rebate calculations for the Sheriff Department budgets were addressed at their respective unit levels and details appear in the corresponding section of this report. The remaining department rebate amounts by budget are shown in the following table, totaling $338,699.

Vacancy Rate Rebates

General Fund Departments	3% Escalator factored to Vacancy Rate Deduction for FY 2023	Actual Vacancy Rate at March 2023	Third Quarter Technical Adjustment (Vacancy Rate Rebate)
Agricultural Commissioner	228,424	5.6%	114,212
Assessor	353,102	11.6%	-
Auditor Controller	247,212	25.0%	-
Chief Executive Office - Human Relations	99,306	4.9%	99,306
Chief Executive Office - Administration	383,799	16.3%	-
Clerk - Recorder Division	115,410	11.4%	-
Clerk - Recorder - Elections Division	71,369	7.6%	-
District Attorney - Criminal Division	1,025,888	13.7%	-
Parks & Recreation	250,361	6.4%	125,181
Planning & Community Development - Planning	123,630	21.3%	-
Probation - Administration	160,747	16.2%	-
Probation - Field Services	647,831	24.9%	-
Probation - Institutional Services	313,487	14.7%	-
Probation - Juvenile Commitment Facility	156,787	22.5%	-
Public Defender	436,662	20.4%	-
Sheriff - Administration	512,535	6.8%	See Sheriff Dept**
Sheriff - Adult Detention - ***no longer used effective 09/24/22***	-	N/A	-
Sheriff - Detention	2,611,752	10.0%	-
Sheriff - OES/Fire Warden	52,610	6.4%	See Sheriff Dept**
Sheriff - Operations	1,608,914	10.2%	-
Treasurer - Administration / Taxes	74,251	8.1%	-
TOTALS	**9,474,077**	**13.2%**	**338,699**

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

***Sheriff Department calculations and rebate processed in department section.*

Challenges and Opportunities

Organizational Challenges and Opportunities

The organization continues work through transitional challenges in the post-implementation phase of the new **Enterprise Resource Planning (ERP)** system in Oracle Cloud. While the County effectively "went live" on October 2, 2022, staff continue to assess and adjust to various challenges as they prepare for fiscal year-end close using new systems and processes. Staff are utilizing best practices and change management tools as they identify and fully develop critical reports and procedures needed to effectively end the fiscal year.

Budget staff across the organization are working in the new **Enterprise Performance Management (EPM)** system, the budgetary component of Oracle Cloud, for the first time to process the 2024 Proposed Budget. Staff are managing this process as seamlessly as possible, understanding that additional time constraints and limited flexibilities require ongoing learning, assessment, and patience.

As of April 1, 2023, the County has experienced an **overall vacancy rate** of 16.2%, having experienced its peak vacancy rate of 17.8% in August 2022. While too early to fully evaluate, early indicators are that the Employee Recruitment and Retention Strategy implemented last summer is having some impact on bringing down overall vacancy rates. Additionally, departments have redoubled recruitment efforts with the hope of reducing vacancy rates even further as the organization moves into Budget Year 2024.

Departmental Challenges and Opportunities

The **Clerk-Recorder – Elections** office is closely watching a number of bills that could increase costs related to elections. Assembly Bill (AB) 884, Voting Language Accessibility, will significantly lower the threshold requirement for groups receiving language assistance for all voting materials, increasing the number of covered languages if passed. This would increase ballot, Voter Information Guide, and all other voting material costs. Senate Bill (SB) 77, Ballot Cure, Forms of Notification, would require additional notification of ballot cure issues (signatures missing or do not match registration form) to voters. The current practice is to utilize traditional mail for these issues; this bill would also require notification by email or texting. The Department would have to purchase a texting application that would meet State security requirements for voter data utilize additional staff time to meet this requirement.

The **Community Services Agency** (CSA) has identified two distinct challenges at this time. Sustainable funding for the Access Center Emergency Shelter (ACES) is an ongoing challenge that was temporarily addressed utilizing COVID-19 related funding that has sustained a variety of housing and homeless programs over the past couple of years but is now ending. The Department is projecting an unmet need for Budget Year 2024 and is exploring options for long-term, sustainable funding sources outside of CSA, including other public agencies, community-based organizations, and others. Another ongoing challenge is the existing Children's Visitation Center. The center is not adequate to meet the demands of court-ordered supervised or monitored visits. A new visitation center is needed to expand the available space and provide a more child-friendly and welcoming atmosphere for these critical sessions.

The **General Services Agency** continues to see challenges in timely procurement of materials and equipment for construction and the deferred maintenance of major mechanical systems. Between December 2021 and December 2022, the California Department of General Services California Construction Cost Index (CCCI) increased 9.3%. This comes on the heels of a 13.4% increase between December 2020 and December 2021. The timely procurement of vehicles continues to be a challenge with the major vehicle manufactures routinely limiting or canceling orders due to material and supply chain challenges. Alternative methods are being explored to acquire vehicles including buying slightly used or from local dealer inventories. However, these purchases come with limited options and fewer discounts.

Parks and Recreation is experiencing difficulty recruiting Park Aide seasonal employees, in part due to competition with similar paying jobs, such as fast-food establishments, that provide a more favorable climate-controlled environment.

The **Treasurer Tax Collector** (TTC) is working with the Chief Executive Office to provide optiona for a Business Services Division within the TTC office that could consolidate management and collections related to cannabis agreements, business licensing, Transient Occupancy Tax, and community permits (i.e., Dance Hall permits). TTC is also working aggressively to fill the Chief Deputy Treasurer position in Budget Year 2024 that has been vacant for more than two years. Additionally, the Property Tax division will engage with a new mail return process provided by Megabyte using existing QR codes on tax bills that will reduce manual entry by staff, creating efficiencies and allowing more staff time to assist taxpayers in other areas.

District Attorney
Grand Jury
Probation
Public Defender
Sheriff

Supporting a Strong and Safe Community

Supporting a Strong and Safe Community

Priority Overview

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

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

Overall, inclusive of adjustments recommended at third quarter, most departments within the priority *Supporting a Strong and Safe Community* are on track to end the year within budget and in a positive fiscal position. The Sheriff has identified a projected budget deficit in Net County Cost which is described in the department section of this report. Should this budget deficit materialize in the year-end close process, Chief Executive Office (CEO) staff will work with the Auditor-Controller to make the necessary technical adjustments, inclusive of transfers from Appropriations for Contingencies, to ensure vendor payments are not jeopardized to close Fiscal Year 2023. CEO staff will continue to work with the Sheriff to bring recommended balancing solutions for the department back to the Board in time for the 2024 Adopted Budget.

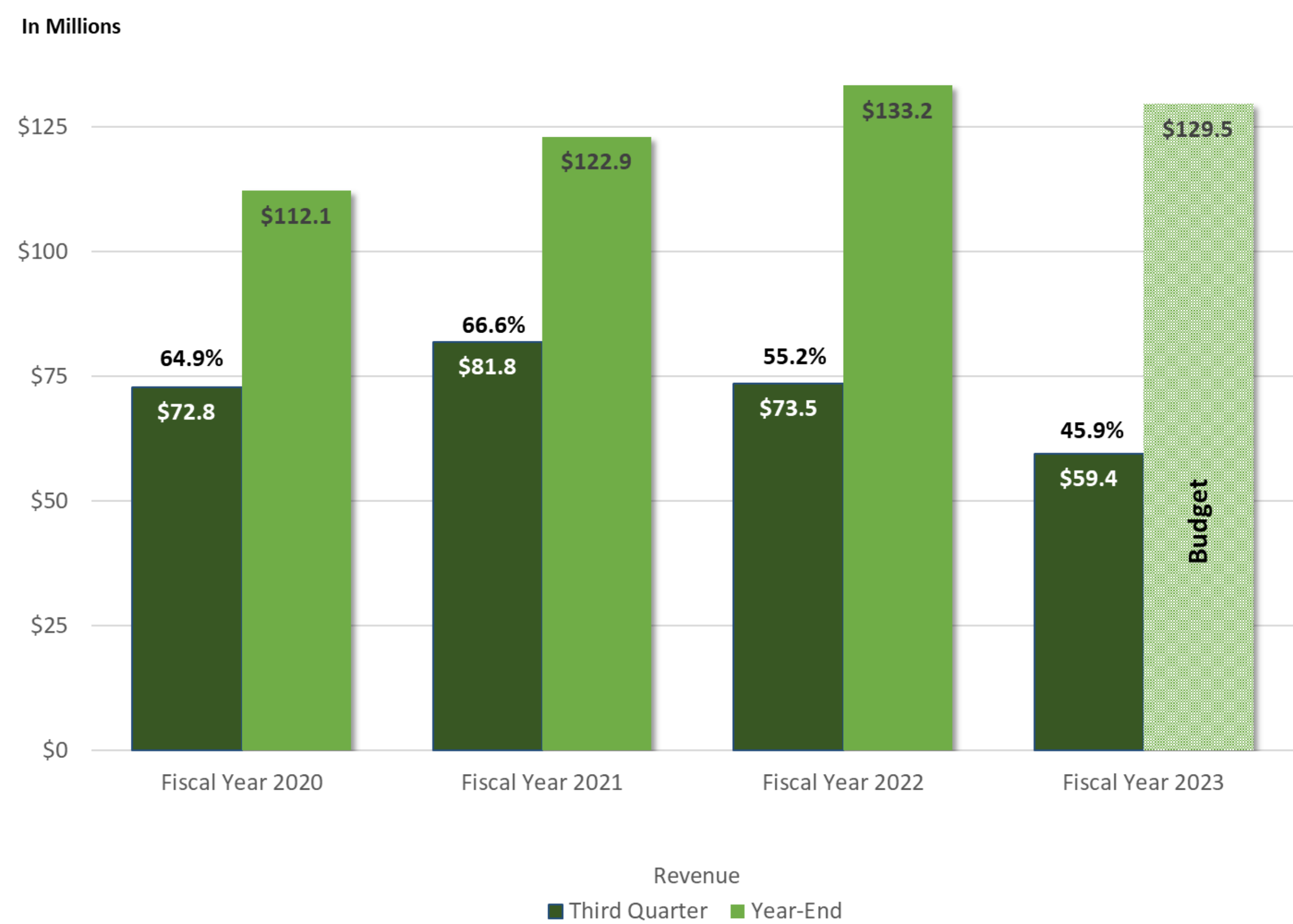
Departmental Revenue

For the departmental budgets *Supporting a Strong and Safe Community* as of March 31, 2023, actual revenue collected totaled $59.4 million, which represents 45.9% of the estimated annual revenue. This is lower than the historical range as compared to the third quarter point of the prior three years when collections ranged from 55.2% to 66.6% of the final actual revenue.

Approximately $15 million dollars in outstanding revenue is related to pending billings for Community Corrections Partnership and Jail Based Competency Treatment expenses incurred by the Sheriff's Office. Additionally, the Public Defender has budgeted revenues associated with grant awards. Between expenditures not materializing, and claims being submitted in arrears, the Public Defender's actual revenue is lower as a percentage of budgeted revenue when compared to the prior year.

Several budget units (Criminal Justice Facilities Fund, Courthouse Construction Fund, County Court Funding, DOJ Drug and Alcohol, and Prop 65 – DNA Identification) were transferred out of this priority area and into *Delivering Efficient Public Services* in the 2023 Adopted Budget, reducing revenue received in the priority area this fiscal year by approximately $2.7 million.

Supporting a Strong and Safe Community Four-Year Revenue Comparison



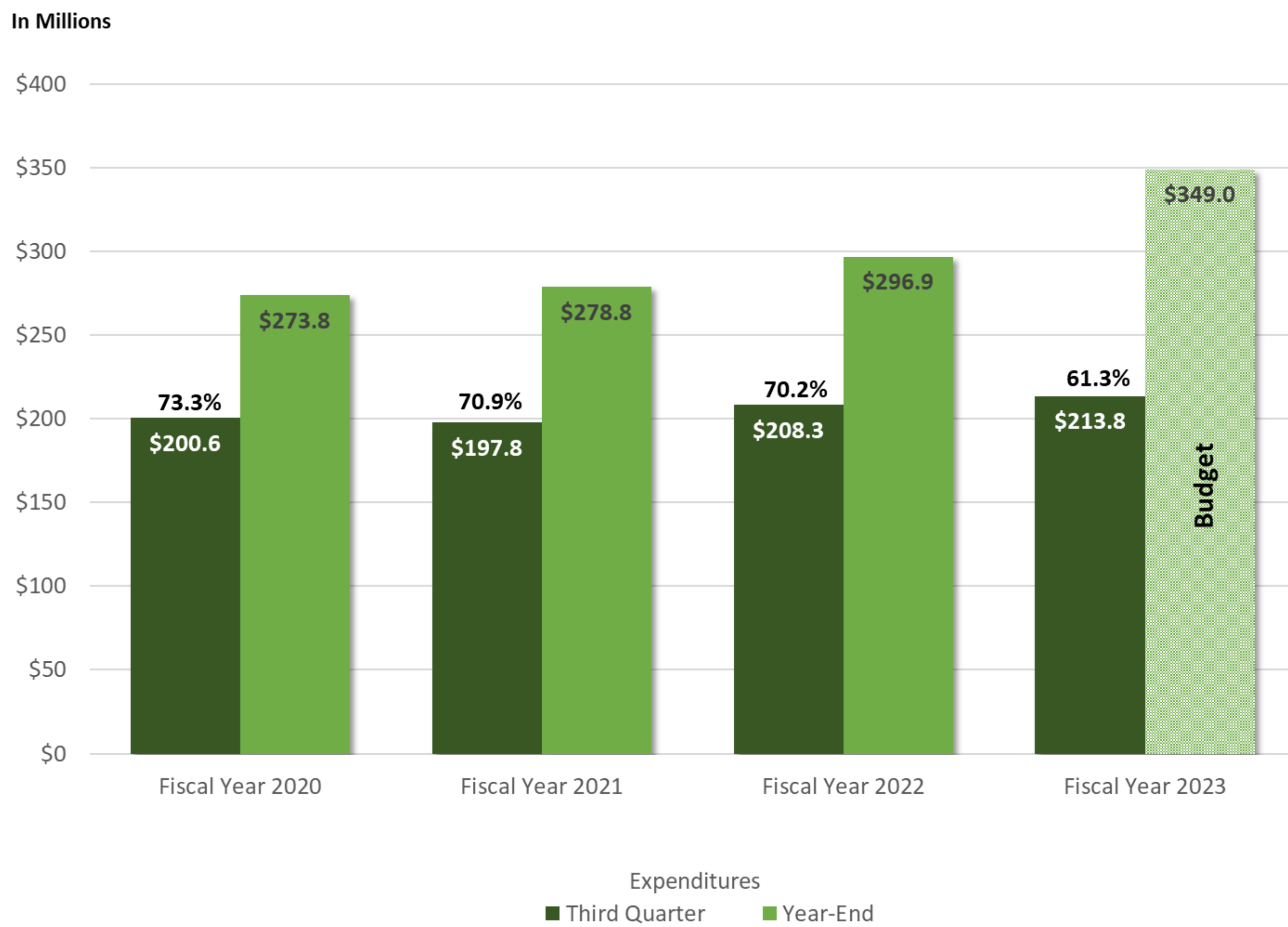
Departmental Expenditures

As of March 31, 2023, expenditures totaled $213.8 million, representing 61.3% of the budgeted appropriations. This is below the historical range when compared to the third quarter point of the prior three years when expenditures ranged from 70.2% to 73.3% of the final actual expenditures.

While actual expenditures are higher than prior years, expenditures are down as a percentage of overall budget. Probation is currently experiencing historically high vacancy rates. An increased Community Corrections Partnership budget further amplifies the variance as the appropriations within this budget unit represent transfers to other departments. Additionally, the Public Defender has grant-related expenditures that have not materialized to date. While the Department anticipates expenditures for one of the grants materializing by year end, the Department anticipates rolling another grant into the next year.

As noted previously, several budget units were transferred out of this priority area and into *Delivering Efficient Public Services* in the 2023 Adopted Budget, reducing expenditures in this priority area by approximately $6.3 million.

Supporting a Strong and Safe Community Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for *Supporting a Strong and Safe Community* will increase appropriations by $9.8 million. Budget adjustments are funded by $410,776 in estimated department revenue, $390,500 in the use of fund balance, and $9 million in General Fund Contributions.

District Attorney

Criminal – It is recommended to decrease appropriations by $200,945, benefitting Net County Cost, to support and offset the increased need for Net County Cost in Real Estate Fraud Prosecution. It is further recommended to increase estimated revenue by $157,645 for the transfer of Enforce Consumer Protection Laws revenue, further decreasing the need for Net County Cost, to fund a Deputy District Attorney, Criminal Investigator, and Paralegal who will pursue civil and criminal remedies against companies and individuals who harm or threaten to harm consumers.

Enforce Consumer Protection Laws – A technical adjustment is recommended to increase appropriations by $157,645, transferring increased estimated revenue to the Criminal division per standard practice.

Real Estate Fraud Prosecution – It is recommended to increase appropriations by $24,300 in support of the County's Employee Recruitment and Retention Strategy and to recognize a reduction in revenue from fees associated with real estate transactions in the County by $176,645. These recommendations are funded by an increase in Net County Cost of $200,945. This increase in Net County Cost is offset by a corresponding decrease in the Criminal division.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
District Attorney - Criminal	$0	($200,945)	$0	($200,945)	Decrease appropriations, benefitting Net County Cost, to offset the increased need for Net County Cost in Real Estate Fraud Prosecution.
District Attorney - Criminal	$157,645	$0	$0	($157,645)	Increase estimated revenue for the transfer of Enforce Consumer Protection Laws revenue, decreasing Net County Cost.
District Attorney - Enforce Consumer Protection Laws	$157,645	$157,645	$0	$0	Technical adjustment to increase appropriations to transfer revenue to the District Attorney's Criminal legal budget per policy.
District Attorney - Real Estate Fraud Prosecution	($176,645)	$0	$0	$176,645	Decrease estimated revenue to align with declining revenue received to date, funded with Net County Cost.
District Attorney - Real Estate Fraud Prosecution	$0	$24,300	$0	$24,300	Increase appropriations to fund Employee Recruitment and Retention Strategy and 5% workforce costs posted to date, funded with Net County Cost.
Total	**$138,645**	**($19,000)**	**$0**	**($157,645)**	

Recommendation: It is recommended to decrease appropriations by $19,000, increase estimated revenue by $138,645, and decrease the use of Net County Cost $157,645.

Sheriff

The Sheriff identified and Chief Executive Office (CEO) analysis has confirmed a projected Net County Cost deficit at third quarter estimated at $11 million. Staff recommendations contained in this Third Quarter Financial Report resolve $9.1 million, leaving a potential projected Net County Cost deficit of $1.9 million. Exclusive of offsetting revenue, the actual exposure to appropriations is $2.7 million; the Auditor-Controller relies on appropriation authority to finalize year-end vendor payments and accruals. The current projected deficit is materializing as the Department's Salary and Benefits costs are projected to exceed the Legal Budget, or the amount appropriated at Adopted Budget plus adjustments for Board-approved policies (includes vacancy rate rebates, termination cash-outs, Employee Recruitment and Retention program costs, and zero-based budget analysis of salaries and positions).

The County organization will be closing the fiscal year on June 30, 2023, representing the conclusion of Year One of the two-year budget cycle. CEO staff will continue to work with the Sheriff to analyze budget projections and bring recommended balancing solutions for the Department back to the Board. CEO staff and Sheriff staff will partner with the Auditor-Controller to implement and recommend action to avoid an overall appropriations shortfall scenario which could impact unencumbered purchases. It is our collective intent to ensure vendor payments are not jeopardized. To that end, CEO staff will work with the Auditor-Controller to make the necessary technical adjustments, inclusive of transfers from Appropriations for Contingencies to close Fiscal Year 2023. Finally, CEO staff will partner with the Department and the Auditor-Controller to document any use of year-end contingency funds or other actual Net County Cost deficit that materializes through the closing process to allow time for the Sheriff to strategize operational course adjustments and balanced funding solutions by the 2024 Adopted Budget, which will be presented to the Board of supervisors in September of 2023.

Recommended adjustments include:

Employee Choice Bonus Plan – A technical adjustment of $2 million, funded with $390,500 in the use of fund balance and $1.6 million in Net County Cost, is required to right size the Department due to Employee Choice Bonus Plan costs, as well as Cost Allocation Plan charges in the Court Security budget.

Zero-Based Analysis Reconciliation/Employee Recruitment and Retention Strategy –The Midyear Financial Report identified an unmet need in the Sheriff's budget. Analysis of this need included a zero-based analysis of all Department positions funded by the General Fund. The analysis included the impact of the 5% increase due to the Employee Recruitment and Retention Strategy, which was not included in the 2023 Adopted Budget. A one-time technical adjustment of $7 million is required to right size the Department as a result of this analysis, funded by Net County Cost.

Technical Adjustments – A one-time technical adjustment of $793,654 is required to support increased termination cash outs, a 2.5% vacancy rate rebate as calculated with the zero-based analysis reconciliation, and winter storm local emergencies, funded with an increase in estimated Major Disaster Federal Public Assistance aid revenue of $272,131 and $521,523 in Net County Cost.

Transferability – Finally, transferability between the four Sheriff General Fund legal budget units is recommended to provide the Department with maximum capacity for balancing Department legal budget units to end the year in a positive position. The budgets include Administration, Detention, Office of Emergency Services/Fire Warden, and Operations.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Sheriff - Administration	$3,406	$4,541	$0	$1,135	Increase appropriations to support the Local Emergencies due to Winter Storms and Flooding, funded with increased estimated revenue and Net
Sheriff - Administration	$0	$196,045	$0	$196,045	Increase appropriations in support of the County's Employee Recruitment and Retention Strategy, funded with Net County Cost.
Sheriff - Administration	$0	$886,606	$0	$886,606	Increase appropriations to support an increased need identified through a zero-based analysis of General Fund positions in the Department, funded with Net County Cost.
Sheriff - Administration	$0	$296,472	$0	$296,472	Increase appropriations to support a 2.5% vacancy rate rebate as calculated through a zero-based analysis of General Fund positions in the Department, funded with Net County Cost.
Sheriff - Administration	$0	$47,395	$0	$47,395	Increase appropriations to support of termination cash-outs not included in the approved budget, funded with Net County Cost.
Sheriff - Court Security	$0	$410,500	$390,500	$20,000	Increase appropriations and estimated revenue to support increased costs related to the County's Employee Recruitment and Retention Strategy and Cost Allocation Plan charges, funded with Net County Cost and the use of fund balance.
Sheriff - Detention	$0	$3,573,216	$0	$3,573,216	Increase appropriations to support an increased need identified through a zero-based analysis of General Fund positions in the Department, funded with Net County Cost.
Sheriff - Detention	$0	$820,309	$0	$820,309	Increase appropriations in support of the County's Employee Recruitment and Retention Strategy, funded with Net County Cost.
Sheriff - Detention	$0	$25,310	$0	$25,310	Increase appropriations to support termination cash-outs not included in the approved budget, funded with Net County Cost.
Sheriff - Office of Emergency Services/Fire Warden	$0	$19,493	$0	$19,493	Increase appropriations in support of the County's Employee Recruitment and Retention Strategy, funded with Net County Cost.

Budget Unit Name	Recommended Budget Adjustment: Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Sheriff - Office of Emergency Services/Fire Warden	$131,248	$174,998	$0	$43,750	Increase appropriations to support the Local Emergencies due to Winter Storms and Flooding, funded with increased estimated revenue and Net County Cost.
Sheriff - Office of Emergency Services/Fire Warden	$0	$31,845	$0	$31,845	Increase appropriations to support a 2.5% vacancy rate rebate as calculated through a zero-based analysis of General Fund positions in the Department, funded with Net County Cost.
Sheriff - Operations	$137,477	$183,303	$0	$45,826	Increase appropriations to support the Local Emergencies due to Winter Storms and Flooding, funded with increased estimated revenue and Net County Cost.
Sheriff - Operations	$0	$2,561,568	$0	$2,561,568	Increase appropriations to support an increased need identified through a zero-based analysis of General Fund positions in the Department, funded with Net County Cost.
Sheriff - Operations	$0	$517,594	$0	$517,594	Increase appropriations in support of the County's Employee Recruitment and Retention Strategy, funded with Net County Cost.
Sheriff - Operations	$0	$29,790	$0	$29,790	Increase appropriations to support termination cash-outs not included in the approved budget, funded with Net County Cost.
Total	**$272,131**	**$9,778,985**	**$390,500**	**$9,116,354**	

Recommendation: It is recommended to increase appropriations by $9.8 million, funded with estimated revenue of $272,131, the use of fund balance in the amount of $390,500, and $9.1 million in Net County Cost. It is also recommended to allow transferability between the Sheriff's four General Fund budget units, specifically Office of Emergency Services/Fire Warden, Administration, Detention, and Operations, to provide the Department with maximum capacity to balance the General Fund budgets to end the year in a positive position.

Aging and Veterans Services
Behavioral Health and Recovery Services
Child Support Services
Community Services Agency
Health Services Agency

Supporting a Healthy Community

Supporting a Healthy Community

Priority Overview

Supporting a Healthy Community is vital to the quality of life for our residents. The primary focus on protecting and promoting the physical health and safety of our residents includes preventing disease, disability, and death. Protecting emotional safety focuses on social issues that include homelessness, incarceration, and fragmented families, often with a variety of financial and emotional needs. Resources dedicated to prevention provide for services to a broader population than the resources required for direct services.

The departments assigned to this priority area include Aging and Veterans Services, Behavioral Health and Recovery Services, Child Support Services, Community Services Agency, and Health Services Agency. The 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 *Supporting a Healthy Community* are on track to end the year within budget and in a positive fiscal position as 1991 and 2011 Realignment revenue projections continue to experience modest growth, as detailed in the Governor's Fiscal Year 2023-24 Proposed Budget.

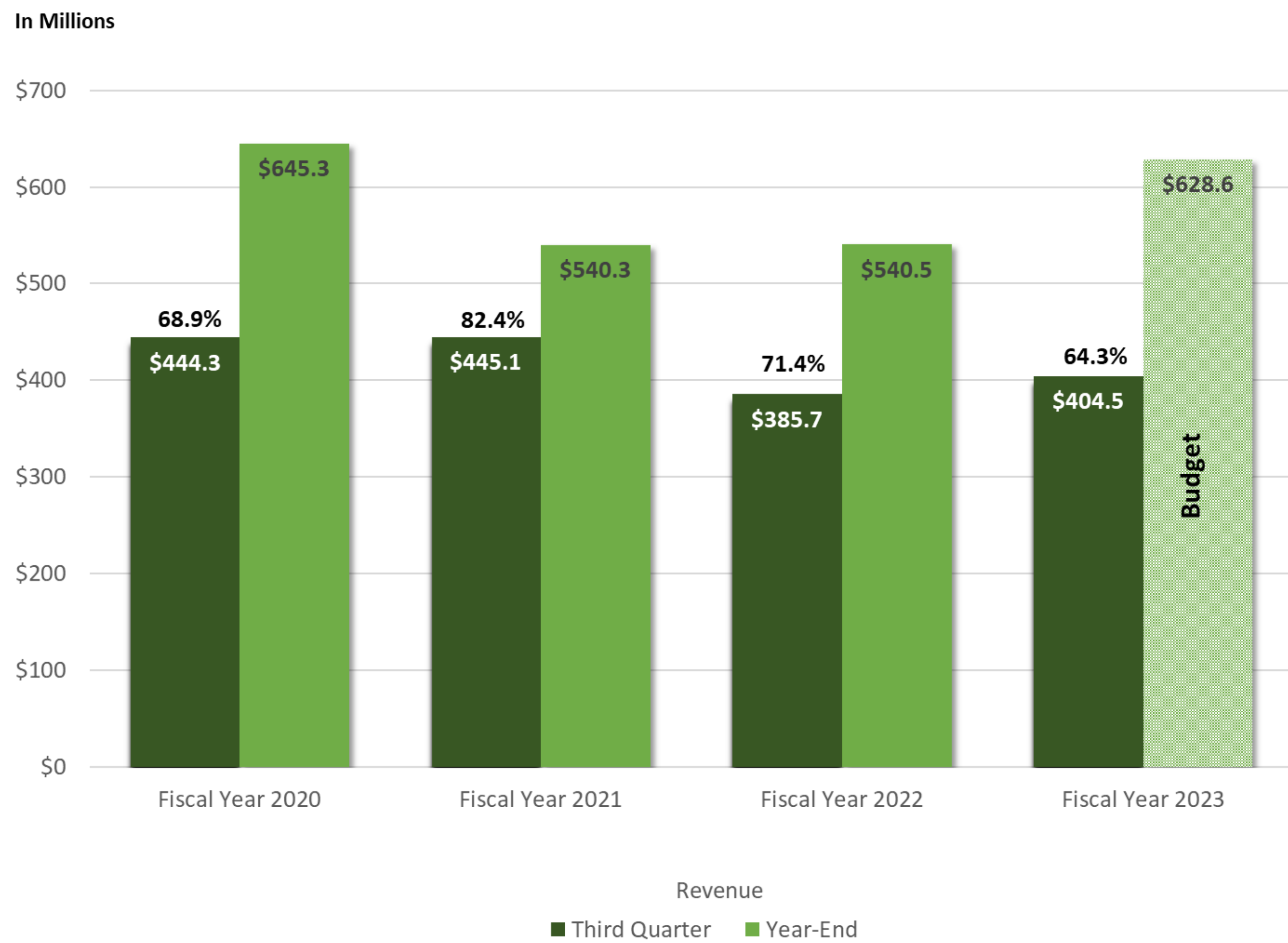
Departmental Revenue

For departmental budgets *Supporting a Healthy Community*, actual revenue received as of March 31, 2023, totaled $404.5 million, which represents 64.3% of the estimated annual revenue. This ratio is below the normal range when comparing to revenue received as of third quarter in the previous three years when collections ranged from 68.9% to 82.4% of year-end actual totals. Revenue received this fiscal year is higher than the previous fiscal year; however, budgeted revenue is $88.1 million higher than last fiscal year affecting the ratio of revenues to date.

Behavioral Health and Recovery Services is receiving historic levels of State funding, leading to an overall increase in budgeted revenue. Aging and Veterans services has been awarded multiple one-time, multi-year grants to support senior services. The Inter-Governmental Transfer revenue term was altered from a State fiscal year to a calendar year which resulted in a six-month bridge term last fiscal year versus a 12-month term this fiscal year, increasing Clinics and Ancillary revenue in Health Services Agency relative to the last fiscal year. Both 1991 and 2011 Realignment revenue is trending higher than originally budgeted this fiscal year for several departments in this priority.

Of note, various Departments in this priority area received COVID-19 related funding in Fiscal Year 2020, driving up total revenue for that year.

Supporting a Healthy Community Four-Year Revenue Comparison



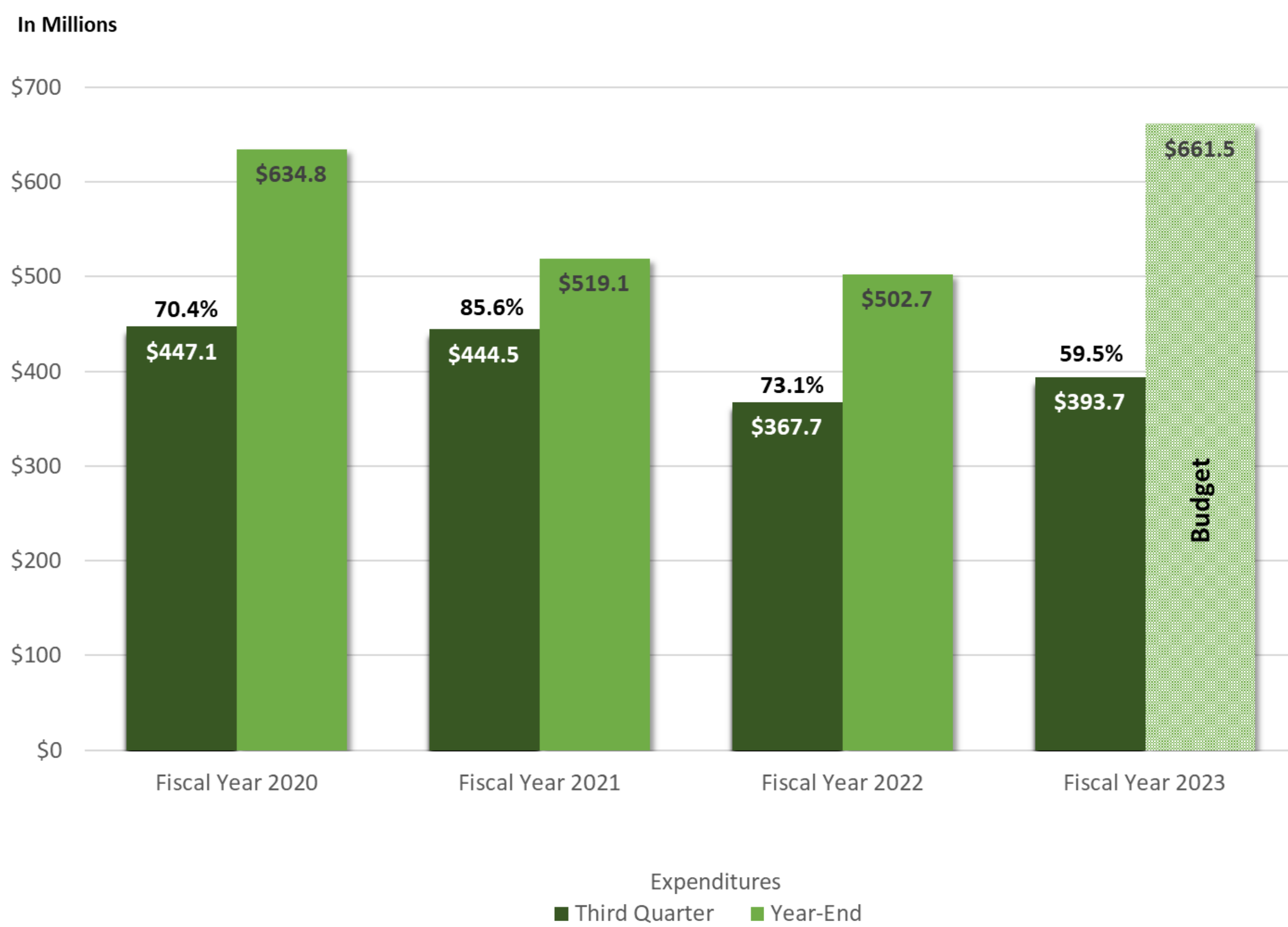
Departmental Expenditures

As of March 31, 2023, expenditures in this priority area totaled $393.7 million, representing 59.5% of the budgeted appropriations. Actual expenditures identified in third quarter of the previous three years as a ratio of year-end costs represented a range of 70.4% to 85.6%, placing this year's expenditures below the historical range. Related to the note pertaining revenue, expenditures this fiscal year to date are higher than the previous fiscal years; however, budgeted expenditures are $158.8 million higher than last fiscal year affecting the ratio of expenditures to budget.

All departments in this priority except Child Support Services, which has continued to experience flat funding, are appropriating the increased revenue as described above, significantly increasing the budget in this fiscal year over that experienced most recently. Of note, due to the end of financial assistance related to the COVID-19 pandemic coupled with the impacts of high inflation, year-to-date expenditures for Public Economic Assistance in the Community Services Agency are $7.9 million more than last fiscal year and this trend is expected to continue. In addition, Behavioral Health and Recovery Services expenditures are $16.7 million more than last fiscal year resulting from historic levels of State funding to support mental health and substance use disorder services.

Various Departments in this priority area received COVID-19 related funding in Fiscal Year 2020 for pandemic-related costs, driving up total expenditures for that year.

Supporting a Healthy Community Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for *Supporting a Healthy Community* will net for a total increase in appropriations of $7.4 million, an $11.4 million increase in estimated revenue, resulting in a $3.5 million decrease in the use of departmental fund balance and a decrease of $444,900 in Net County Cost.

Behavioral Health and Recovery Services

Consistent with standard County practice, the Department is recognizing one-time growth receipts for both 1991 and 2011 Realignment revenues.

In December 2022, the Department received $3.8 million in 1991 Realignment growth revenue for Fiscal Year 2022, of which $1.6 million was already budgeted. The resulting increase of $2.2 million in revenue is being recognized in the Behavioral Health and Recovery Services (BHRS) budget unit reducing the use of fund balance.

In January 2023, the Department received $4.6 million in 2011 Realignment growth revenue for Fiscal Year 2022, of which $2.8 million was already budgeted, resulting in an increase of $1.8 million in revenue. Of the $1.8 million, $1.2 million is being recognized in the BHRS budget unit reducing the use of fund balance.

The adjustment of $2.2 million in 1991 Realignment and $1.2 million in 2011 Realignment growth revenues net to a $3.5 million reduction in the use of Department fund balance in the BHRS budget unit.

It is recommended that the remaining $600,000 in 2011 Realignment growth revenue be budgeted in Fixed Assets in the Substance Use Disorder (SUD) budget unit to fund a portion of a new Electronic Health Record (EHR). The new EHR is essential to the Department's implementation of services under California Advancing and Innovating Medi-Cal (CalAIM) to achieve Medi-Cal payment reform. The total cost of the EHR is approximately $3.1 million, of which $600,000 is applicable to SUD and $2.6 million in appropriations was approved in the 2023 Proposed Budget for the BHRS budget unit.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
BHRS - Behavioral Health and Recovery Services	$3,476,094	$0	($3,476,094)	$0	Increase 2011 and 1991 Realignment growth revenue decreasing use of Department fund balance.
BHRS - Substance Use Disorder	$600,000	$600,000	$0	$0	Increase revenue and Fixed Asset appropriations for the purchase of a new Electronic Health Record funded by 2011 Realignment growth revenue.
Total	**$4,076,094**	**$600,000**	**($3,476,094)**	**$0**	

Recommendation: It is recommended to increase appropriations by $600,000 and increase revenue by $4.1 million resulting in a $3.5 million decrease in the use of Department fund balance.

Community Services Agency

Consistent with standard County practice, the Department is recognizing $444,900 in 1991 Realignment growth revenue for Fiscal Year 2022 in the Program Services and Support budget unit reducing Net County Cost.

The labor agreement with United Domestic Workers of America (Res. No. 2023-0068) includes an increase in health benefits from the current rate of $0.10 to $0.21 per paid provider hour and a wage supplement of $0.75, from $16.00 to $16.75 per hour, both effective May 1, 2023. It is recommended to increase appropriations in the In-Home Supportive Services (IHSS) Public Authority-Benefits Administration budget unit by $29,480 to support the increase in health benefits and to increase appropriations by $229,369 in the IHSS Provider Wages, both funded by 1991 Realignment revenue.

Due to the end of COVID-19 related stimulus and assistance, coupled with high inflation, caseloads have increased for several CalWORKs and Foster Care programs. It is recommended to increase appropriations by $6.6 million in the Public Economic Assistance budget unit with $3.6 million in support of the CalWORKs All Other Families and 2 Parent Families programs, $1.7 million to support several other CalWORKs Assistance programs, and $1.2 million to support the Foster Care and Extended Foster Care Programs. These adjustments are funded by Federal, State and 1991 Realignment revenue.

Recommended Budget Adjustment					
Budget Unit Name	**Revenue**	**Appropriations**	**Fund Balance/ Retained Earnings**	**Net County Cost/ General Fund Contribution**	**Description**
CSA - Program Services and Support	$444,900	$0	$0	($444,900)	Increase 1991 Realignment rowth revenue reducing County Match.
CSA - IHSS Provider Wages	$229,369	$229,369	$0	$0	Increase IHSS MOE Wage Supplement effective 5/1/23 (Res. No 2023-0068) funded by 1991 Realignment revenue.
CSA - Public Authority Benefits Administration	$29,480	$29,480	$0	$0	Increase IHSS MOE Health Benefit Supplement effective 5/1/23 (Res. No 2023-0068) funded by 1991 Realignment revenue.
CSA - Public Economic Assistance	$3,634,296	$3,634,296	$0	$0	Increase in CalWORKs All Other Families and 2 Parent Families caseloads due to the end of COVID-19 related assistance and high inflation funded by Federal, State, and 2011 Realignment revenues.
CSA - Public Economic Assistance	$1,719,517	$1,719,517	$0	$0	Increase in CalWORKs Assistance programs caseloads due to the end of COVID-19 related assistance and high inflation funded by Federal, State, and 2011 Realignment revenues.
CSA - Public Economic Assistance	$1,232,946	$1,232,946	$0	$0	Increase in Foster Care and Extended Foster Care Program caseloads due to the end of COVID-19 related assistance and high inflation funded by Federal, State, and 2011 Realignment revenues.
Total	**$7,290,508**	**$6,845,608**	**$0**	**($444,900)**	

Recommendation: It is recommended to increase appropriations by $6.8 million and estimated revenue by $7.3 million, resulting in a $444,900 reduction in Net County Cost.

Staffing Recommendation: A request to reclassify three Family Services Specialist (FSS) IV positions in the Housing and Homeless Division was submitted by the Department and recommended for study in the 2023 First Quarter Financial Report. The study has been completed, concluding with a recommendation to reclassify three FSS IV positions to Staff Services Analyst to accurately align the job duties with the positions.

Health Services Agency

There are no budget adjustments for this department.

Staffing Recommendation: During the 2021 labor negotiations, the Stanislaus County Employees Association (SCEA), American Federation of State, County and Municipal Employees (AFSCME Local #10) requested a classification study of the Nursing Assistant classification. The study has been completed, concluding with a recommendation to change the classification name of Nursing Assistant to Medical Assistant. The Medical Assistant classification is also recommended for a 10% salary increase.

Classification study requests were submitted by the Department and recommended for study in the 2023 First Quarter Financial Report. The studies have been completed, concluding with a recommendation to reclassify one Manager II position to Manager III to oversee the Public Health Emergency Response, Climate Resilience Programs, and the Medical/Health Operational Area Coordination. In addition, it is recommended to reclassify one Manager III to Manager IV to oversee the Community Assessment Planning and Evaluation Program.

Agricultural Commissioner
UC Cooperative Extension
Workforce Development

Developing a High-Performing Economy

Developing a High-Performing Economy

Priority Overview

The Board of Supervisors' priority area of *Developing a High-Performing Economy* recognizes the critical role that County government can play in supporting a local economy that promotes, protects, and sustains local agriculture while providing for more diversified 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 High-Performing Economy*. Departments and programs assigned to this priority area include Agricultural Commissioner, University of California (UC) Cooperative Extension, and Workforce Development.

There are various funding sources for departments in this priority area. The Agricultural Commissioner receives State funding for several programs, charges for specific services, and funding from the General Fund. Cooperative Extension's UC advisors are funded through the UC system; however, the County provides funding from the General Fund for support staff and operational expenses. Workforce Development primarily receives Federal funding through Workforce Innovation and Opportunity Act.

Overall, the departments within the Board priority *Developing a High-Performing Economy* are on track to end the year within budgeted appropriations and in a positive fiscal position.

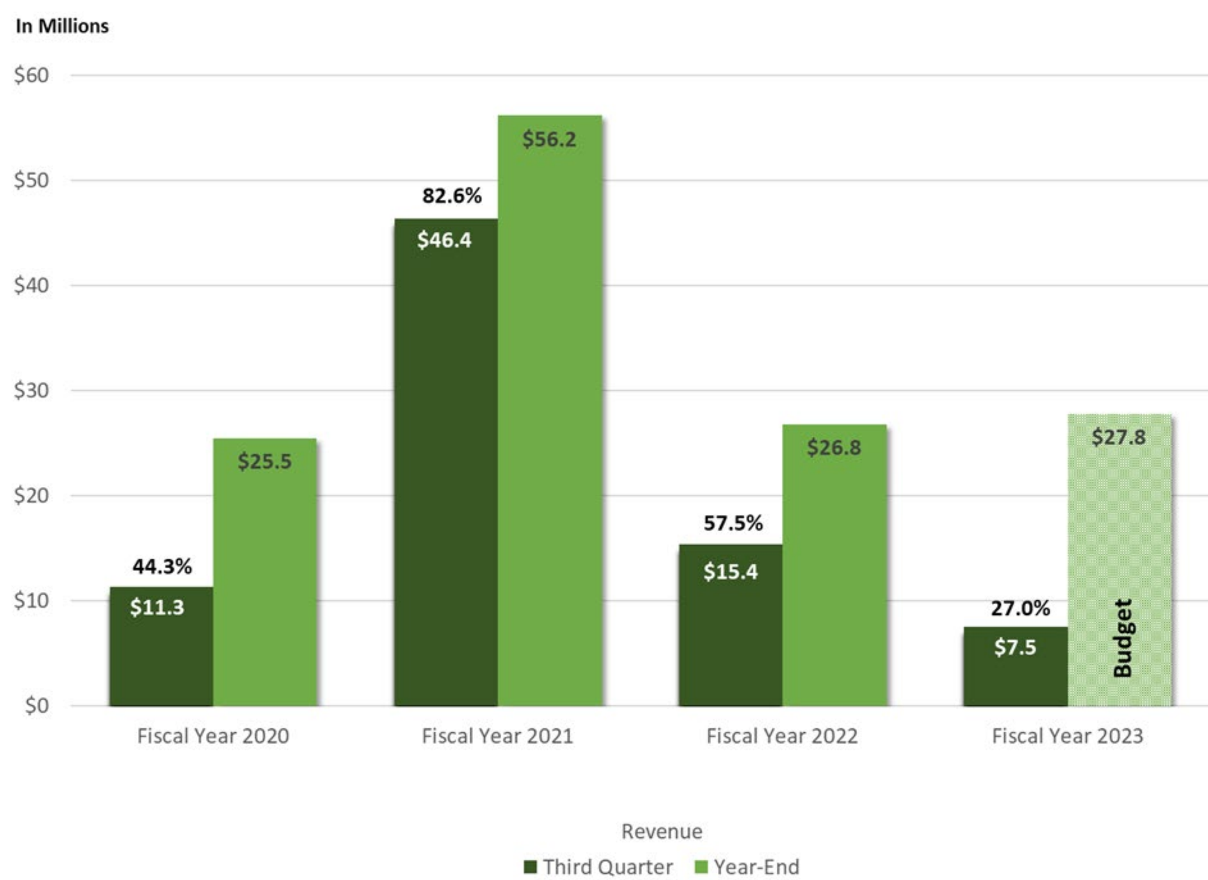
Departmental Revenue

For the departments contained in the Board of Supervisors' priority area of *Developing a High-Performing Economy,* as of March 31, 2023, actual revenue collected totaled $7.5 million, which represents 27% of the estimated annual revenue. This is below the historical range when compared to the third quarter point of the prior three years when collections ranged from 44.3% to 82.6%. This is mostly due to revenue collections in Workforce Development.

The current year budget for Workforce Development increased by $4.6 million, funded by the California for All Youth grant, a reimbursement-based grant. Revenue associated with this grant has not yet materialized due to minimal activity as the State was delayed in signing the final contract, impacting the revenue-to-date ratio for this year. In totality, Workforce Development's increase in estimated Fiscal Year 2023 revenue is offset by the transfer of the Economic Development Bank budget to County Operations within the Board priority area of *Delivering Efficient Public Services* at the beginning of the fiscal year.

The significant variance shown in Fiscal Year 2021 is primarily due to Coronavirus Aid, Relief and Economic Security (CARES) Act funding that was allocated to the Economic Development Bank to assist in the County's response to the COVID-19 pandemic emergency. This represents one-time funding unique to that fiscal year.

Developing a High-Performing Economy Four-Year Revenue Comparison



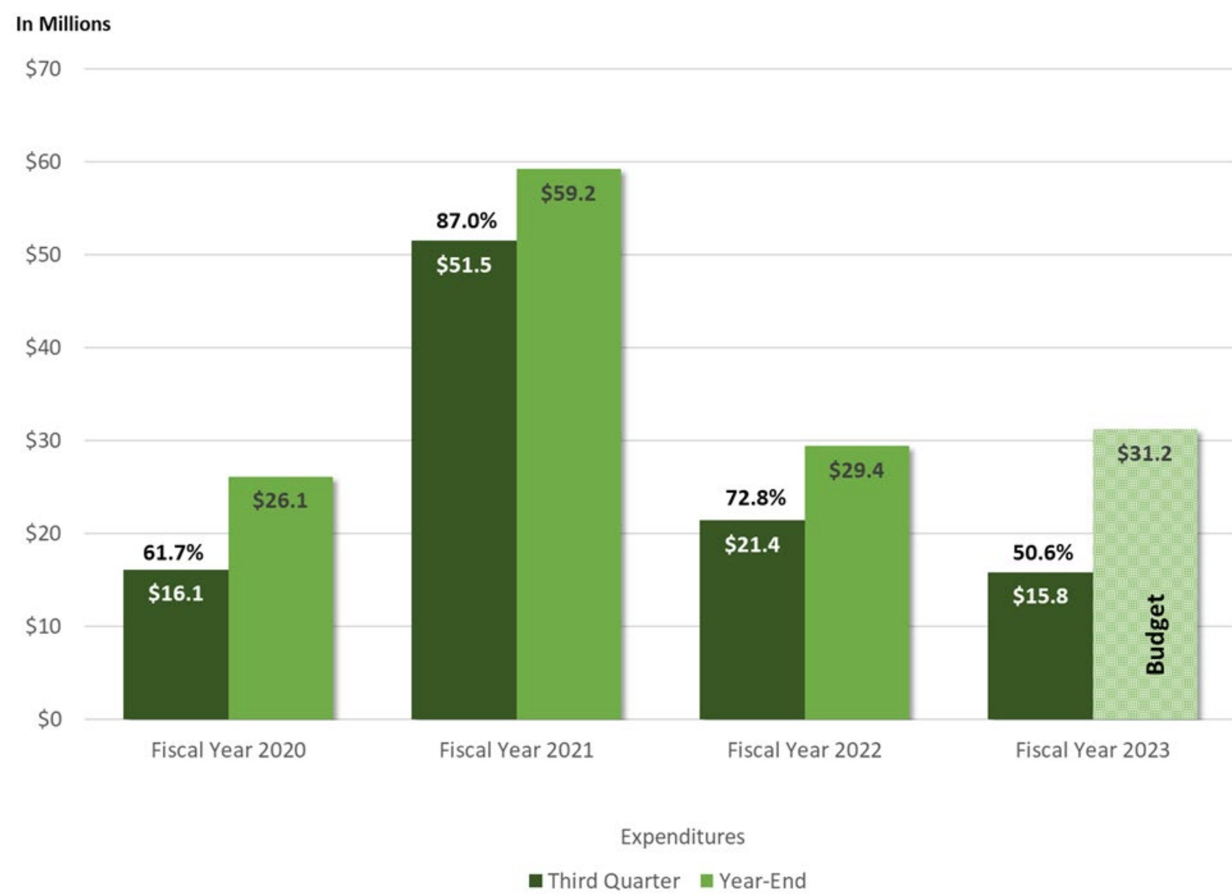
Departmental Expenditures

As of March 31, 2023, expenditures totaled $15.8 million for departments *Developing a High-Performing Economy*, representing 50.6% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 61.7% to 87% of the final actual expenditures, placing this year below the three-year historical range. This is mostly due to expenditures in Workforce Development.

As noted in the revenue section above, Workforce Development's current year budget increased by $4.6 million due to the California for All Youth grant. Expenditures associated with this grant have been minimal to date; the State was delayed in signing the final contract. However, the performance period for the grant extends into Budget Year 2024. The increase in appropriations attributed to Workforce Development is offset by the transfer of the Economic Development Bank budget, including one-time CARES Act funded costs, to County Operations in the Board priority area of *Delivering Efficient Public Services.*

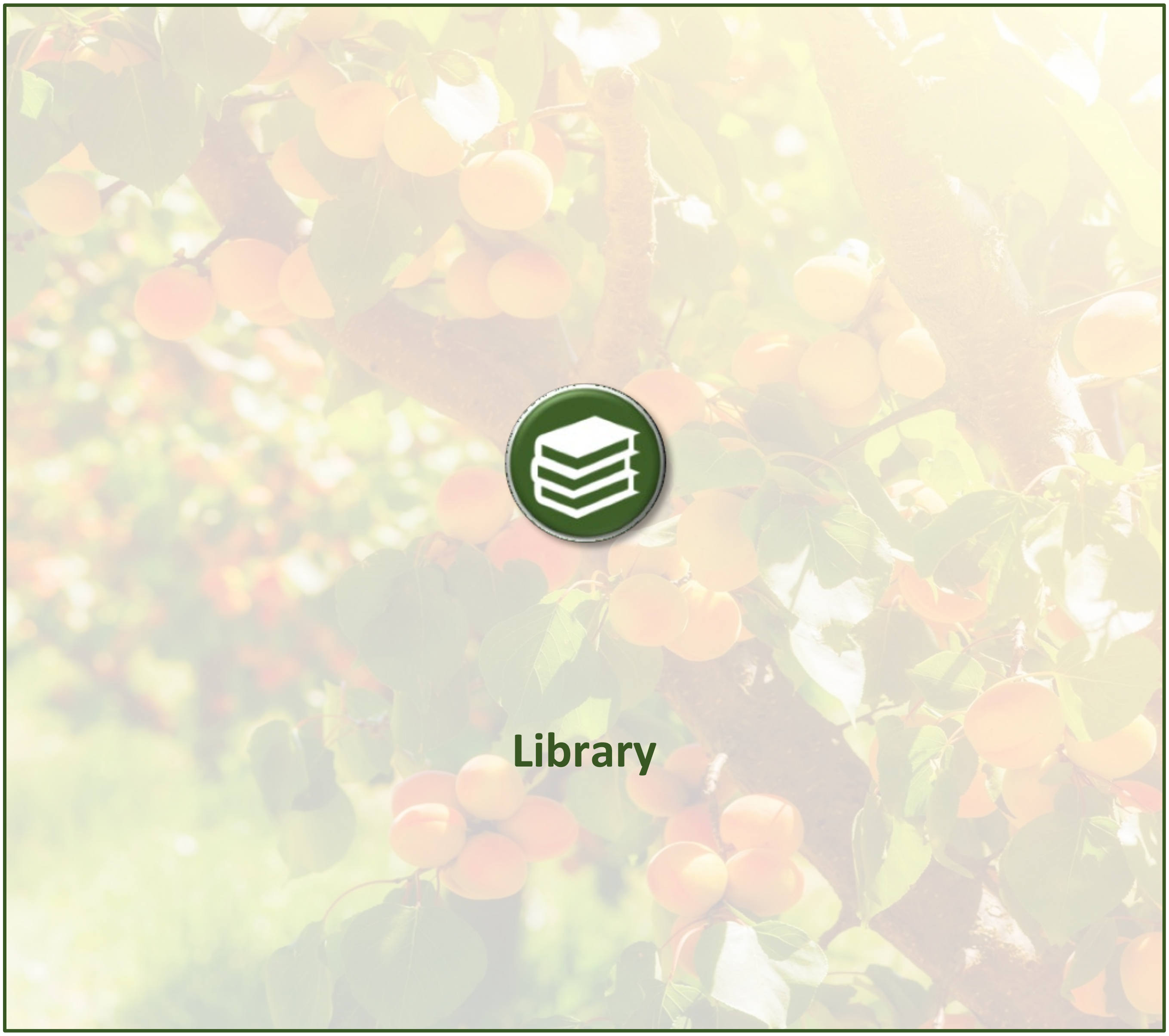
Again, as noted in the revenue description, the significant variance shown in Fiscal Year 2021 is primarily due to CARES Act funded allocations to the Economic Development Bank to assist in the County's response to the COVID-19 pandemic emergency.

Developing a High-Performing Economy Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

There are no Third Quarter policy recommendations contained in this report for *Developing a High-Performing Economy*.



Library

Promoting
Lifelong
Learning

Promoting Lifelong Learning

Priority Overview

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

The Library is responsible for implementing *Promoting Lifelong Learning* opportunities for all residents to advance community and individual prosperity. The Stanislaus County Library engages members of the community and offers access to information, knowledge, and the tools for innovation and personal development.

The Library offers early literacy programs for children, basic literacy services to adults, workforce readiness programs, resources for veterans and their families, and outreach services beyond the physical walls of the libraries including online e-resources and community outreach activities such as home delivery service for customers who are unable to come to the Library due to advanced age, injury, or illness. The Library also offers unique services such as the Veterans Resource Center, passport application processing, and citizenship information sessions.

The Library is primarily funded by a voter approved 1/8-cent sales tax, which represents approximately 90% of the Library's total estimated revenue in support of operations for Fiscal Year 2023. The voter approved 1/8-cent sales tax was extended 12 years with Measure S, passed in November 2017.

In Fiscal Year 2023, the Library received $3.5 million in Building Community Services Investment General Fund support to address various needs in the library system as part of an organization-wide three-year strategic initiative totaling $10 million for libraries. The investment will support targeted projects which will directly contribute to the local quality of life, community wellness, and strategic facility planning.

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

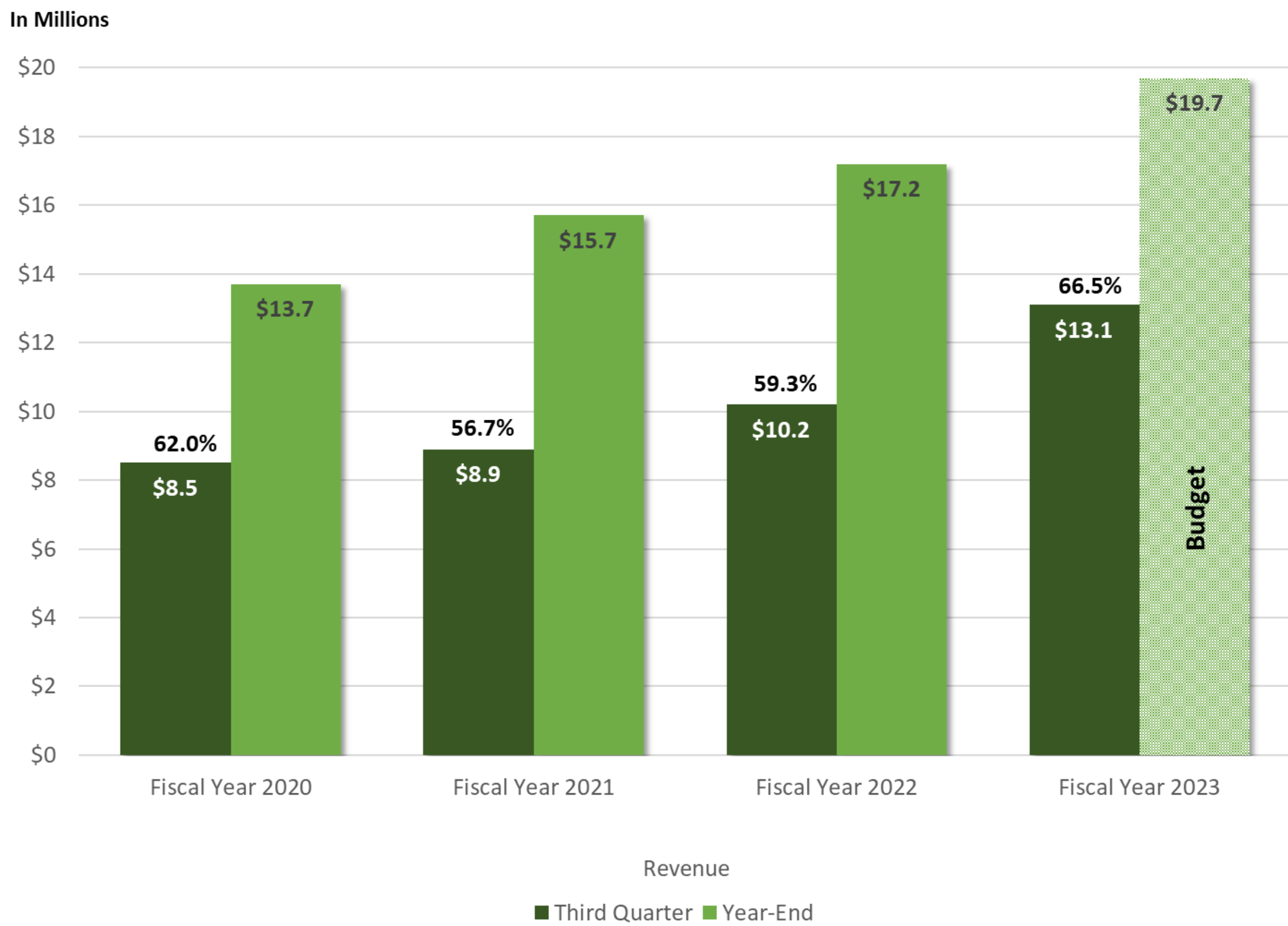
Departmental Revenue

For the department making up the Board of Supervisors' priority *Promoting Lifelong Learning,* as of March 31, 2023, actual revenue collected was $13.1 million, which represents 66.5% of the estimated annual revenue. This is above the historical range when compared to third quarter of the prior three years when collections were 56.7% to 62% of final actual revenue received. Actual revenue-to-date is above the prior three-year range due to sales tax trending higher than anticipated along with the Building Community Services Investment funding provided by the General Fund for targeted Library projects.

The Library budgeted $13.4 million in sales tax revenue for Fiscal Year 2023 and received $5 million in sales tax revenue through the first four months, an average of $1.3 million a month. At midyear, the Library increased estimated revenue by $600,000 to better align with updated sales tax projections.

Additionally, the Library received $3.5 million in Building Community Services Investment funding at the beginning of Fiscal Year 2023 to address various needs in the library system as part of an organization-wide three-year strategic initiative totaling $10 million for libraries.

Promoting Lifelong Learning Four-Year Revenue Comparison



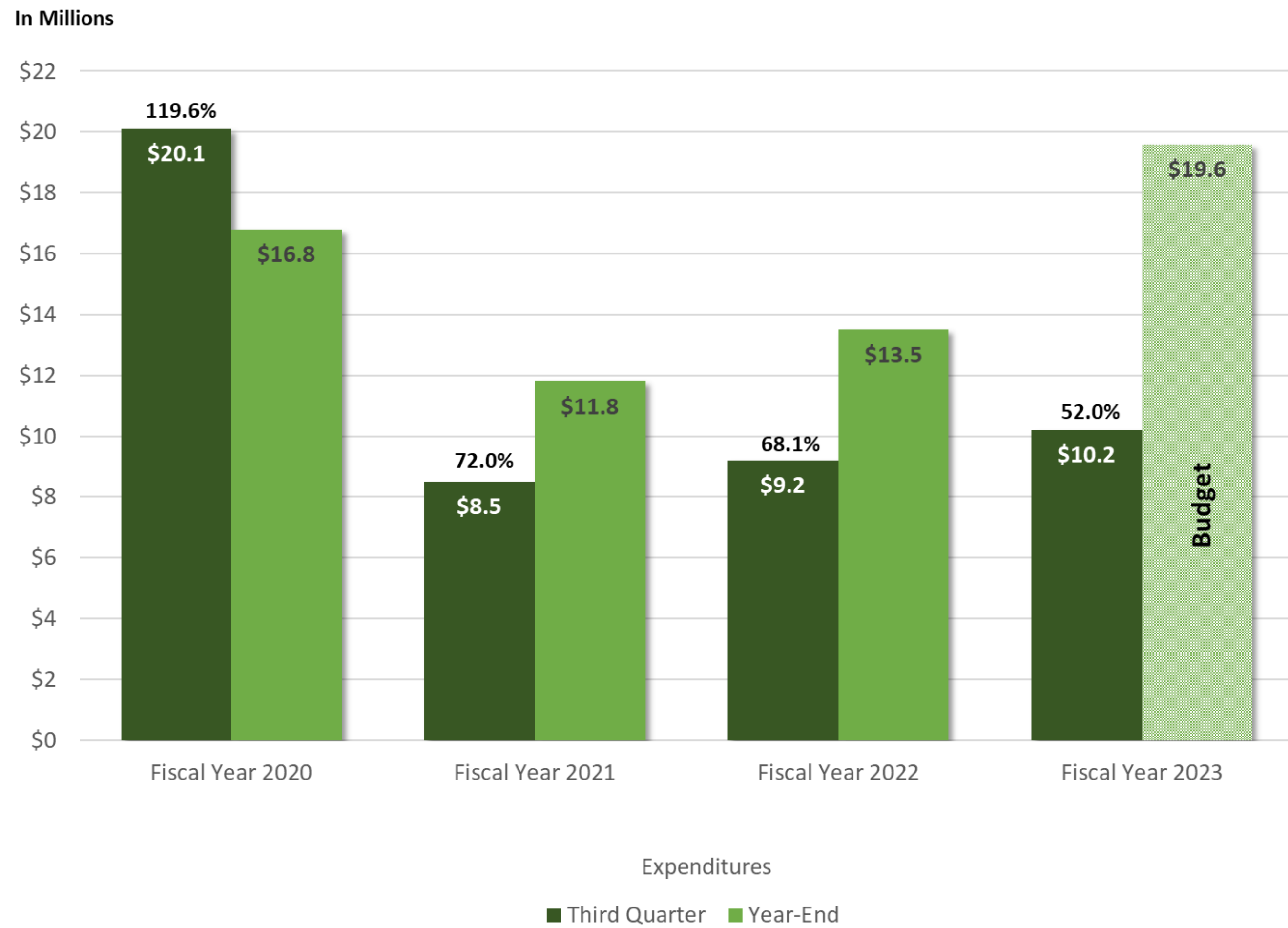
Departmental Expenditures

As of March 31, 2023, expenditures in the priority *Promoting Lifelong Learning* totaled $10.2 million, representing 52% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 68.1% to 119.6% of the final actual expenditures, placing this year below the historical range. In Fiscal Year 2023, the Library budget increased significantly with the $3.5 million in Building Community Services Investment General Fund support along with increases for various projects and part-time extra help staffing support.

The Building Community Services Investment allocation for Fiscal Year 2023 has not yet been expended and any unused funding will be carried into Budget Year 2024 to address various targeted projects. The Building Community Investment funding runs for three years and the Library is in the process of obtaining architectural designs and cost estimates for multiple facilities projects throughout the Library system.

Of note, Fiscal Year 2020 included expenditures to fund the Turlock Library project, effectively impacting the percentage of third quarter expenditures to final actual expenditures due to a journal entry for the Turlock Library Tobacco Loan that was subsequently reversed.

Promoting Lifelong Learning Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

There are no recommendations contained in this report for *Promoting Lifelong Learning.*

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

Delivering
Efficient
Public Services

Delivering Efficient Public Services

Priority Overview

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

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

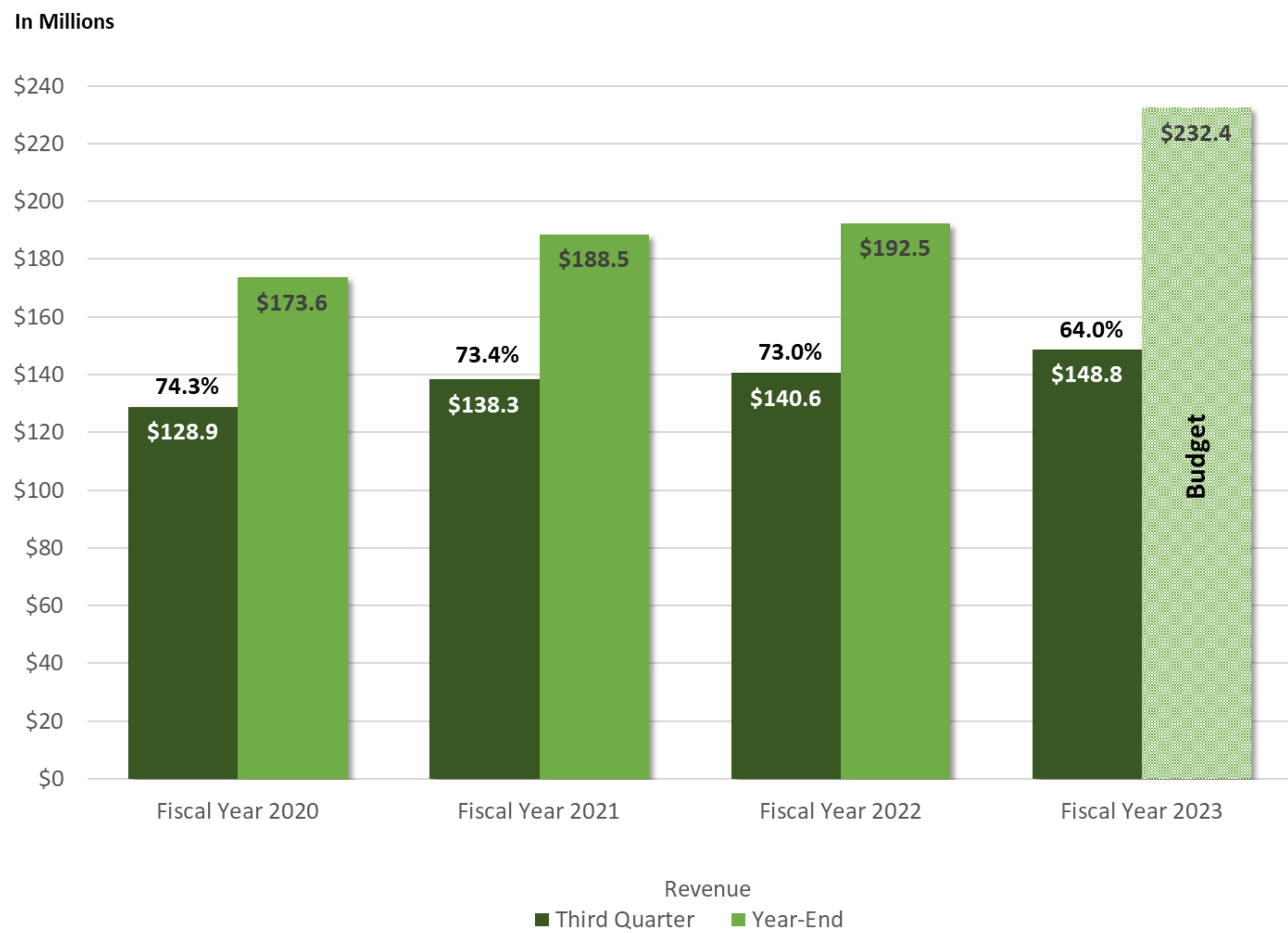
For the departmental budgets that make up the Board of Supervisors' *Delivering Efficient Public Services* priority area, the actual revenue collected as of March 31, 2023, totaled $148.8 million, which represents 64% of the estimated annual revenue based on budgeted projections. This is lower when compared to the same quarter of the previous three years when collections ranged from 73% to 74.3% of actual realized revenue received through year end.

While actual year-to-date revenue this fiscal is higher than the previous fiscal year, budgeted revenue is 21% higher than last fiscal year affecting the ratio of actual revenue to estimated revenue. This is partially due to the relocation of budget units traditionally categorized within other Board areas beginning this fiscal year.

Notable decreases in revenue relative to budget, further impacting this year's ratio, include a decrease of $1.5 million in County Operations – Cannabis Program due to Development Agreement changes; the reduction in fees collected through enforcement activities and termination of the Community Benefit contribution collection fee in 2022 contributed to the decrease. Additionally, the Clerk-Recorder is experiencing a $1.2 million decline in recording fee revenue due to the slowing housing market.

These decreases are offset by an increase in actual revenue received shown in the chart due to $9.7 million of undistributed interest in the Treasurer-Tax Collector – Treasury budget pending allocation to departments, which in the past was housed in a unique fund outside of the Treasury.

Delivering Efficient Public Services Four-Year Revenue Comparison



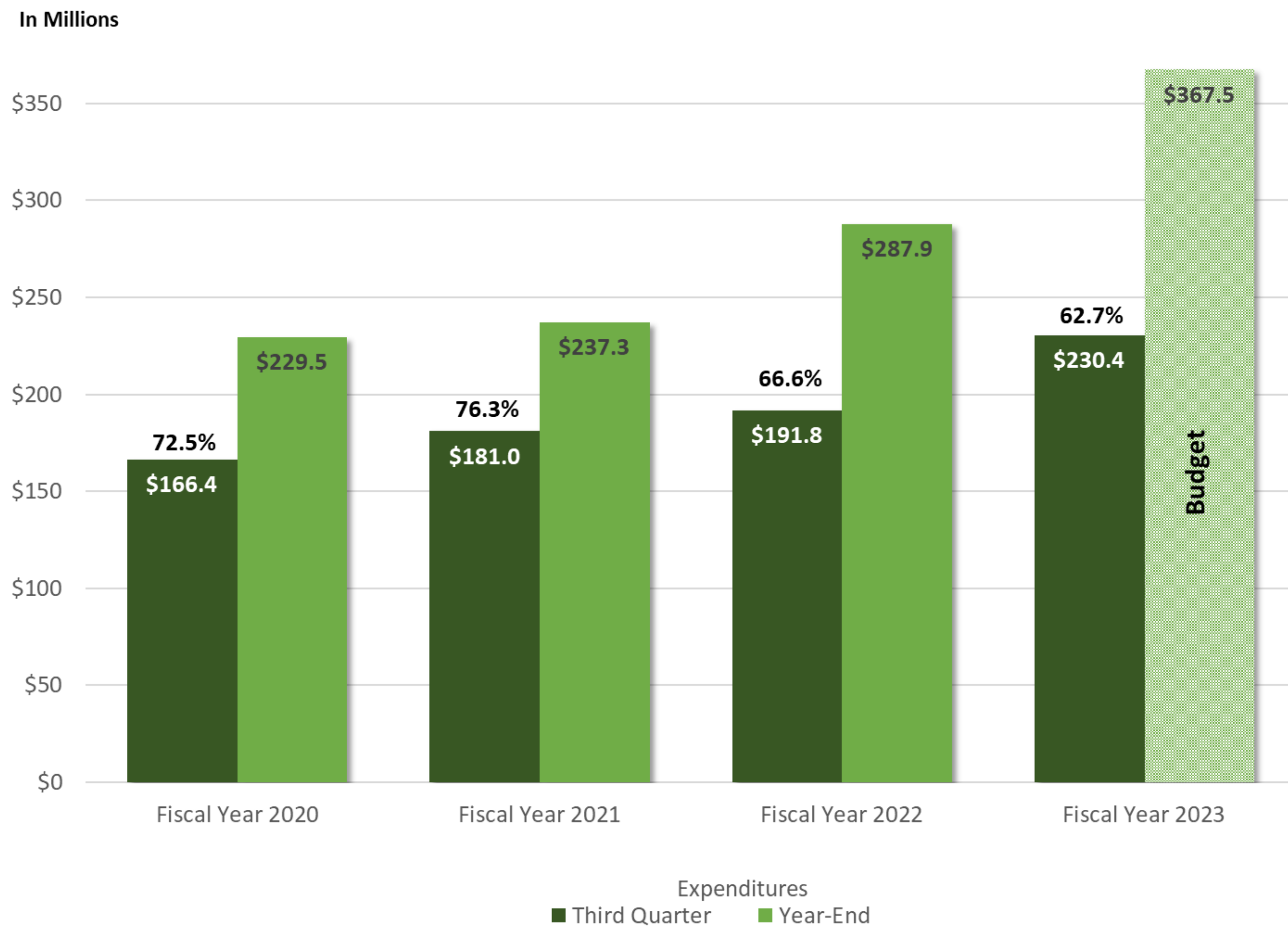
Departmental Expenditures

As of March 31, 2023, expenditures in this Board priority totaled $230.4 million, representing 62.7% of budgeted appropriations. Expenditures at the third quarter point of the previous three fiscal years ranged from 66.6% to 76.3% of actual expenditures, placing this year below the historical range.

Actual expenditures this fiscal year to date are up $38.6 million, or 20.1% above the prior year level compared to the $79.6 million, or 28% increase in budgeted appropriations. Of note, the American Rescue Plan Act (ARPA) – State and Local Fiscal Recovery funding is included in budget appropriations at $14.2 million. ARPA project spending will occur over time and as of third quarter just $1.6 million or 11.3% of the appropriation authority has been spent.

General Services Agency (GSA) - Capital Facilities expenditures are approximately $9.5 million higher than last fiscal year due to the multi-year Building Community Services Investment strategy supporting the restoration of County properties. In addition, $2.5 million have been expended to support Deferred Maintenance on facilities and Americans with Disability Act-compliance projects. Information Technology Central (ITC) expenditures have increased by $5 million over last fiscal year due to delays in invoicing for Microsoft Office 365 subscriptions and for Fixed Asset purchases due to supply chain constraints, for orders due last fiscal year but received and paid for this fiscal year. Lastly, expenditures for General Liability insurance premiums have also increased by $2.8 million or 33%, from Fiscal Year 2022.

Delivering Efficient Public Services Four-Year Expenditures Comparison



Third Quarter Issues and Recommendations

The recommendations contained in this report for *Delivering Efficient Public Services* include a decrease in appropriations by $5.2 million funded by estimated revenue of $3.3 million and the use of fund balance and retained earnings of $2.2 million, resulting in a $10.7 million decrease in Net County Cost. This reduction is mainly due to the increase in projected Discretionary Revenue of $4.8 million and the transfer of approximately $5.9 million from Appropriations for Contingencies to other priority areas as described in this financial report.

Auditor-Controller

Auditor-Controller – The Community Services Agency (CSA) had a Memorandum of Understanding (MOU) with the Auditor-Controller (AC) for a dedicated Accounts Payable Account Clerk III. The clerk's main duties entailed processing CSA invoices to ensure vendor payments were made within five to three business days compared to the longer deadlines for all other Departments. However, when the County upgraded its financial management system in October 2022, the duties of the AC Accounts Payable staff shifted because invoices are now electronically processed and approved, allowing a more efficient way to manage invoice flows. As a result, CSA no longer required a dedicated Account Clerk.

The Auditor-Controller will retain the Account Clerk III to perform accounts payable duties within the Department. The anticipated revenue loss from CSA is estimated at $69,158 for Fiscal Year 2023, in which $42,878 staff costs will be distributed to County-wide departments with the balance of $26,280 to be funded by Net County Cost. No budget adjustments are recommended at this time as sufficient savings exist in the current budget.

Enterprise Resource Planning – A one-time technical adjustment of $203,484 in appropriations is needed to fully budget the project funds in Fiscal Year 2023, funded using retained earnings. This allows the Auditor Controller to reconcile Board-authorized project costs across multiple budget years and will support final project audit trails.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Auditor-Controller - Enterprise Resource Planning	$0	$203,484	$203,484	$0	Increase appropriations to fully budget project funds in Fiscal Year 2023, funded with retained earnings.
Total	**$0**	**$203,484**	**$203,484**	**$0**	

Recommendation: It is recommended to increase appropriations by $203,484, funded using $203,484 in retained earnings.

CEO – Human Relations

Staffing Recommendation: Classification study requests were submitted by the Department off-cycle in 2023 for one Confidential Assistant V position and one Manager III position. The studies have been completed, concluding with the recommendation to reclassify one Confidential Assistant V position to block-budgeted Manager I/II/III to serve as the County Safety Officer and one block-budgeted Manager I/II/III position to Manager IV to oversee the Safety, Workers Compensation, and Disability Management functions for the County.

Clerk-Recorder

The Clerk-Recorder has experienced a significant decline in revenue throughout Fiscal Year 2023 due to the slowing housing market resulting in fewer property recordings. This trend is expected to continue in Budget Year 2024. A revenue reduction of $550,000 is offset by a corresponding decrease in the Clerk-Recorder budget.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Clerk-Recorder	($550,000)	($550,000)	$0	$0	Decrease estimated revenue and appropriations due to reduced property recordings.
Total	**($550,000)**	**($550,000)**	**$0**	**$0**	

Recommendation: It is recommended to decrease appropriations and estimated revenue by $550,000.

County Operations

The recommendations contained in this report for County Operations will decrease appropriations by $5.1 million, decrease estimated revenue by $1.8 million, and increase the use of fund balance by $2 million, resulting in a decrease of $5.2 million in Net County Cost.

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 2023 Adopted 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. Transfers of $1.8 million were approved to cover a variety of needs at Midyear, leaving $10,231,047 remaining in Appropriations for Contingencies. There has been one separate transfer request in the amount of $33,758 approved by the Board of Supervisors on March 28, 2023, for the District Attorney – Violence Against Women grant match requirement, resulting in a contingency balance is $10,197,289.

At this time, it is recommended that Appropriations for Contingencies be decreased by $6,217,675, transferring funds as follows:

- $90,711 to Sheriff's Office for winter storm emergency appropriations.
- $200,945 to District Attorney – Real Estate Fraud to cover a decrease in revenues.
- $16,086 to Auditor Controller to support the midyear Enterprise Resource Planning cost true up.
- $102,495 to Sheriff – Administration, Detention, and Operations to cover termination cash-outs.
- $20,000 to Sheriff – Administration for CAP charges for Court Security.
- $12,291 to County Operations – Airport to align with an increase in tax revenues.
- $5,074,831 to Sheriff's Office in support of the Employee Recruitment and Retention Strategy.
- $33,300 to Treasurer in support of the Employee Recruitment and Retention Strategy.
- $667,016 to fund vacancy rate rebates to Sheriff, Parks and Recreation, CEO – Human Relations, and Agricultural Commissioner.

If all third quarter transfers are approved, $3,979,614 will remain in Appropriations for Contingencies for use throughout the balance of Fiscal Year 2023.

Airport – Revenue from Aircraft Taxes is posted once a year and is budgeted in the Discretionary Revenue budget. Appropriations are budgeted in the County Operations – Airport legal budget unit that are equal to the estimated revenue. An adjustment is made at midyear or third quarter to reflect the Aircraft Tax revenue. These funds are used for improvements at the Modesto City-County Airport. This funding is also available to use as local match in securing airline service or to fund capital improvements as approved by the Airport Advisory Board. The 2023 Adopted Budget included $250,000 in appropriations and requires a $12,291 increase to reflect the actual Aircraft Tax revenue received.

Cannabis Program – On July 26, 2022, Development Agreements for two permitted cannabis businesses were modified, which effectively reduced the amount of Cannabis Fee revenue being collected for the Cannabis Enforcement program. The projected decrease in revenue for Fiscal Year 2023 is estimated at $650,000. This decrease in estimated revenue will be offset by an increased use of retained earnings. Retained earnings at the beginning of the fiscal year totaled $3.1 million, and the program is projected to end the year with approximately $2 million in retained earnings.

County Court Funding – A decrease in revenue of $340,000 is recommended, resulting in an equal increased need for Net County Cost. Fiscal Year 2023 currently projects a $280,000 shortfall in revenue from Recording Fees due to a decrease in home sales and refinances. Additionally, there is a projected $60,000 revenue shortfall in Miscellaneous Revenues, resulting from Assembly Bill 177 which repealed several criminal justice administrative fees, some which affected this revenue. Stanislaus County received a backfill allocation included in the State budget to help mitigate the local impact of the repealed fees. This backfill funding is accounted for in Discretionary Revenue and helps offset the resulting $60,000 additional Net County Cost needed in the County Court Funding budget. The decrease in revenue and increased Net County Cost need is anticipated to be ongoing. The backfill funding from the State is also ongoing. A legislated Maintenance of Effort of $5.3 million makes up the majority of budgeted appropriations in this budget of $6.2 million leaving limited ability to mitigate revenue decline by reducing appropriations.

Criminal Justice Facilities Fund – An increase in appropriations of $3,000 is recommended to cover the increase of the Law Library lease. On September 13, 2022, the Board of Supervisors approved, by Resolution 2022-0488, an amendment to the Law Library lease to include the full amount of the Downtown Modesto Community Benefit District Assessment fee. This increase would ensure payment of the fee, as the Criminal Justice Facilities Fund is responsible for a portion of the Law Library lease.

Debt Services – A decrease of $813,000 in rental revenue is recommended, as revenues have been transferred to the Discretionary Revenue budget. These rental revenues previously offset debt payments. This revenue is no longer offsetting a debt payment; therefore, they are more appropriately accounted for in Discretionary Revenue.

General Liability – An increase in appropriations of $1.3 million is recommended to ensure, out of an abundance of caution, sufficient appropriations are available to cover program costs through the end of the fiscal year. The increase will result in the planned budgeted use of additional retained earnings and will accommodate year-end accounting adjustments that may be required for actuarial liability. Analysis of additional information available subsequent to third quarter of the fiscal year suggests this adjustment may not be needed. This budget unit has been operating at an increasing retained earnings deficit in recent years due to increases in the accounting book entry for actuarial liability. Rate increases will likely be needed to cover future premium cost increases.

General Fund Contribution to Other Programs – This budget serves as the conduit to provide General Fund contributions to non-general fund budget units. A net increase in appropriations of $237,031 is recommended as follows, funded by Net County Cost:

- Increase appropriations by $20,000 for Court Security to cover increased intercounty expenditures.
- Increase appropriations by $176,645 to fund a revenue decrease and $24,300 in support of the Employee Recruitment and Retention Strategy in the District Attorney - Real Estate Fraud program. Appropriations are being reduced in the District Attorney – Criminal budget to offset this contribution.

- Increase appropriations by $16,086 to right size to the adjustment made at midyear for Auditor-Controller – Enterprise Resource Planning (ERP); the adjustment at midyear did not include the General Fund Contributions to Other Programs piece.

Mandated County Match – This budget provides local funds used to leverage Federal and State funding for a variety of programs that have a mandated match requirement. A decrease in appropriations of $444,900 is recommended due to an increase in 1991 Realignment growth revenues recognized by the Community Services Agency (CSA), which reduces the department's need for match contribution.

	Recommended Budget Adjustment				
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
County Operations - Airport		$12,291		$12,291	Increase appropriations to reflect actual Fiscal Year 2023 aircraft tax revenune posted to Discretionary Revenue.
County Operations - Appropriations for Contingencies		($90,711)		($90,711)	Transfer appropriations to cover local emergencies from Winter Storms and Flooding in Sheriff's Department.
County Operations - Appropriations for Contingencies		($16,086)		($16,086)	Transfer appropriations to cover midyear adjustment for Auditor Controller - ERP.
County Operations - Appropriations for Contingencies		($200,945)		($200,945)	Transfer appropriations to fund revenue decrease in District Attorney - Real Estate Fraud.
County Operations - Appropriations for Contingencies		($667,016)		($667,016)	Transfer appropriations to cover vacancy rate rebate to Sheriff, Parks and Recreation, CEO- Human Resources and Ag Commissioner.
County Operations - Appropriations for Contingencies		($102,495)		($102,495)	Transfer appropriations to cover termination cash-outs for Sheriff - Administration, Sheriff - Detention and Sheriff - Operations.
County Operations - Appropriations for Contingencies		($20,000)		($20,000)	Transfer appropriations to cover increased Salaries and Benefits for Sheriff - Court Security.
County Operations - Appropriations for Contingencies		($12,291)		($12,291)	Transfer appropriations to cover County Operations - Airport increase to tax revenue.
County Operations - Appropriations for Contingencies		($5,074,831)		($5,074,831)	Transfer appropriations to Sheriff department in support of the Employee Recruitment and Retention Strategy.
County Operations - Appropriations for Contingencies		($33,300)		($33,300)	Transfer appropriations to Treasurer-Tax Collector in support of the Employee Recruitment and Retention Strategy.
County Operations - Cannabis Program	($650,000)	$0	$650,000	$0	Decrease in Cannabis Fee revenue due to amended Development Agreements, funded by Net County Cost.
County Operations - County Court Funding	($340,000)	$0	$0	$340,000	Decrease revenues to reflect current trends, funded by Net County Cost.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
County Operations - Criminal Justice Facilities Fund	$0	$3,000	$3,000	$0	Increase appropriations to cover increased Law Library lease, funded with fund balance.
County Operations - Debt Services	($813,000)			$813,000	Transfer rental revenues for Community Services Facility from Debt Services to Discretionary Revenue.
County Operations - General Fund Contribution to Other Programs		$20,000		$20,000	Transfer appropriations to Court Security to cover increased costs.
County Operations - General Fund Contribution to Other Programs		$200,945		$200,945	Increase appropriations to fund revenue decrease and support Employee Recruitment and Retention Strategy in District Attorney - Real Estate Fraud.
County Operations - General Fund Contribution to Other Programs		$16,086		$16,086	Increase appropriations to cover midyear adjustment for Auditor Controller - ERP.
County Operations - General Liability		$1,300,000	$1,300,000	$0	Increase appropriations to cover program costs through the end of the fiscal year, resulting in the planned budgeted use of additional retained earnings.
County Operations - Mandated County Match		($444,900)		($444,900)	Decrease County match amounts due to an increase in 1991 Realignment growth revenues received in CSA.
Total	**($1,803,000)**	**($5,110,253)**	**$1,953,000**	**($5,260,253)**	

Recommendation: It is recommended to decrease estimated revenue by $1.8 million and decrease appropriations by $5.1 million, resulting in an increase of $2 million in the use of fund balance and a decrease to Net County Cost of $5.3 million.

General Services Agency

Administration – A portion of the labor costs for the Accountant II position was not included in the 2023 Proposed Budget because the labor cost was billed directly to projects. Subsequently, the methodology for billing projects was changed and costs are now recouped through intrafund/interfund charges, requiring an $80,000 adjustment to right-size Salaries and Benefits.

Central Services – It was discovered that County Counsel's services have been inadvertently charged directly to GSA as the requesting department instead of to the respective departments that GSA was assisting, resulting in unanticipated County Counsel charges that are projected to exceed budget. As a result, it is recommended to increase appropriations by $30,000 to cover this cost, funded by charges for services. Moving forward, clarification on the appropriate chargeable department will be provided along with the request for County Counsel service.

Employee Recruitment and Retention Strategy – An increase totaling $74,000 is recommended across multiple budgets to account for additional labor costs associated with the Employee Recruitment and Retention Strategy implemented earlier this fiscal year, funded by charges for services.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
General Services Agency - Administration	$80,000	$80,000	$0	$0	Increase appropriations and estimated revenue for labor cost increases related to the Employee Recruitment and Retention Strategy.
General Services Agency - Administration	$35,000	$35,000	$0	$0	Increase appropriations and estimated revenue to right-size one Account II position.
General Services Agency - Central Services	$30,000	$30,000	$0	$0	Increase appropriations and estimated revenue for increases in Interfund County Counsel charges.
General Services Agency - Central Services	$25,000	$25,000	$0	$0	Increase appropriations and estimated revenue for labor cost increases related to the Employee Recruitment and Retention Strategy.
General Services Agency - 10th Street Place	$14,000	$14,000	$0	$0	Increase appropriations and estimated revenue for labor cost increases related to the Employee Recruitment and Retention Strategy.
Total	**$184,000**	**$184,000**	**$0**	**$0**	

Recommendation: It is recommended to increase revenue and appropriations by $184,000.

Information Technology Center

Staffing Recommendation: It is recommended to reclassify one vacant, block-budgeted Software Administrator I/II position to IT Manager to serve as the HR, payroll, and personnel data system IT manager.

Treasurer-Tax Collector

Admin/Taxes – Business license revenue is on a downward trajectory due to the decline of new business licenses and business license renewals, resulting in a decrease of $62,900 in estimated revenue. This reduction will be offset by utilizing savings in expenditures. Additionally, labor costs have increased due to the Employee Recruitment and Retention Strategy, adding an increase of $33,300 in appropriations, funded by Net County Cost.

Budget Unit Name	Recommended Budget Adjustment Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Treasurer-Tax Collector - Admin/Taxes	($62,900)	($62,900)	$0	$0	Decrease estimated revenue for business licenses due to a downward trend in activity, offset by an equal decrease in appropriations.
Treasurer-Tax Collector - Admin/Taxes	$0	$33,300	$0	$33,300	Increase appropriations in support of the Employee Recruitment and Retention Strategy, funded by Net County Cost.
Total	**($62,900)**	**($29,600)**	**$0**	**$33,300**	

Recommendation: It is recommended to decrease appropriations by $29,600 and to decrease estimated revenue by $62,900, funded with an increase of $33,000 in Net County Cost.

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

Enhancing Community Infrastructure

Enhancing Community Infrastructure

Priority Overview

The Board of Supervisors' priority area *Enhancing Community Infrastructure* is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, recreational opportunities, and regional approaches to transportation circulation are critical to community infrastructure. Departments 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 a 1/2-cent local transportation sales tax commonly referred to as Measure L.

In Fiscal Year 2023, Parks and Recreation and Public Works were provided with a combined $18.5 million in General Fund support to address various needs in the community as part of an organization-wide three-year strategic initiative.

Parks and Recreation received a $3.5 million Building Community Services Investment that will go toward targeted, one-time strategies which will directly contribute to the quality of life, community wellness, and strategic facility planning. Public Works received $15 million to establish the Building Community Infrastructure Fund. This fund will provide dedicated funding for the Board of Supervisors to access to address community infrastructure projects of priority in their respective districts. Such projects may include the installation or improvement to sidewalks and roads, along with various related infrastructure improvements.

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

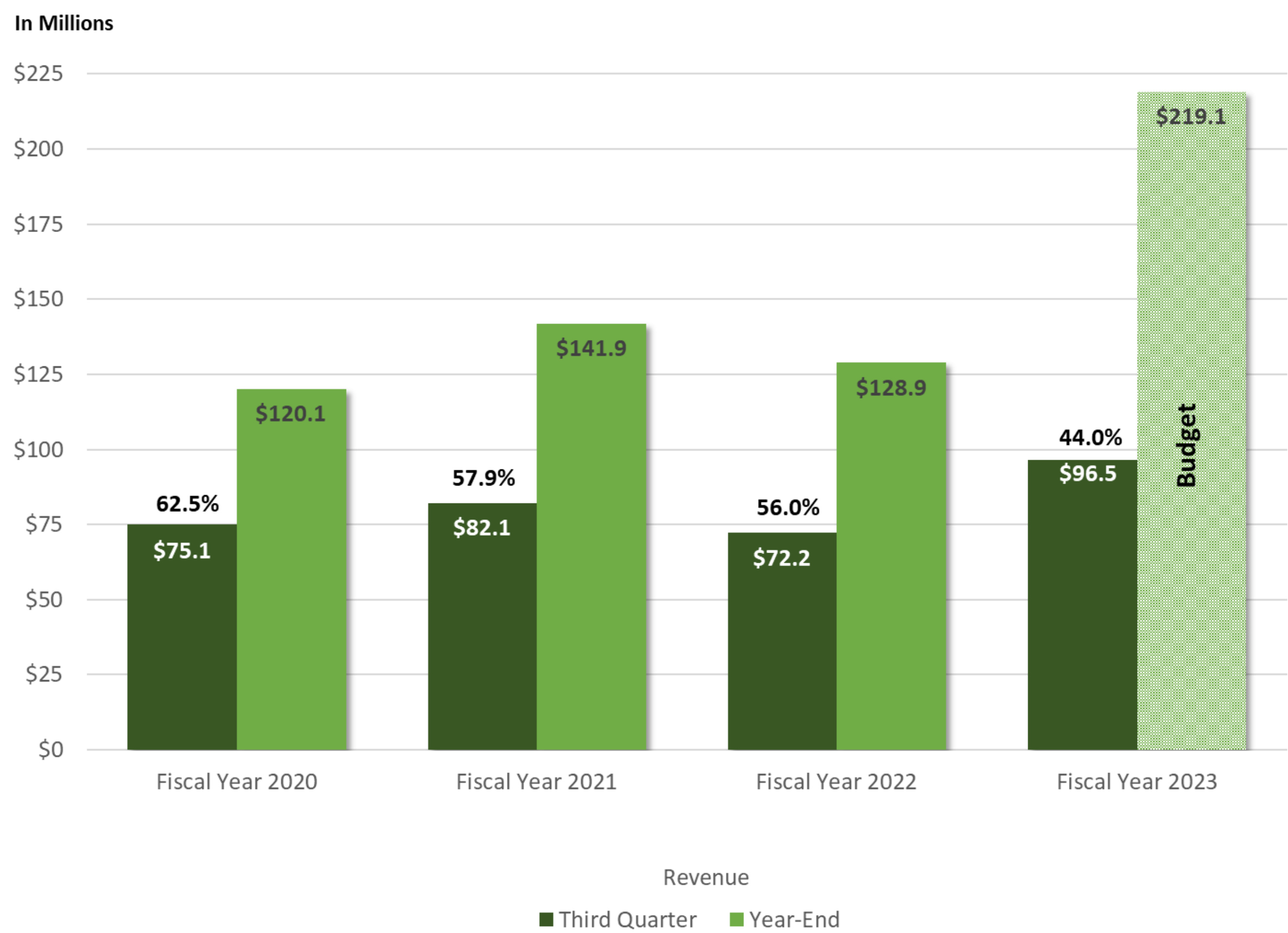
Departmental Revenue

For the departmental budgets that are part of the Board priority *Enhancing Community Infrastructure,* as of March 31, 2023, actual revenue collected totaled $96.5 million, which represents 44% of the estimated annual revenue. This is below the range when compared to the third quarter point of the prior three years when collections ranged from 56% to 62.5% of the final actual revenue.

This priority typically experiences fluctuations from year to year due to progress on various projects. The lower percentage at third quarter compared to the same time last year is primarily due to the timing of road projects in Public Works. In addition, Planning and Community Development has budgeted significant grant funding in the current year that has not yet been received.

Estimated revenue is notably higher than previous years due to funding for current-year projects. Planning and Community Development includes $13.5 million in allocated State CARES Act funding and $2.1 million in funding identified for housing. Public Works will receive $15 million from the new Building Community Infrastructure Fund as well as $133 million in Road and Bridge revenue. Year-to-date revenue for this priority area is approximately $20 million more than the prior three-year average, primarily due to active Public Works projects. Of note, Public Works' Fiscal Year 2022 actuals were impacted by the transfer of local transit activities to a separate regional transit authority, including an accounting entry tied to the transfer of Fixed Assets, decreasing revenue by approximately $9 million at third quarter and $27 million by year-end.

Enhancing Community Infrastructure Four-Year Revenue Comparison

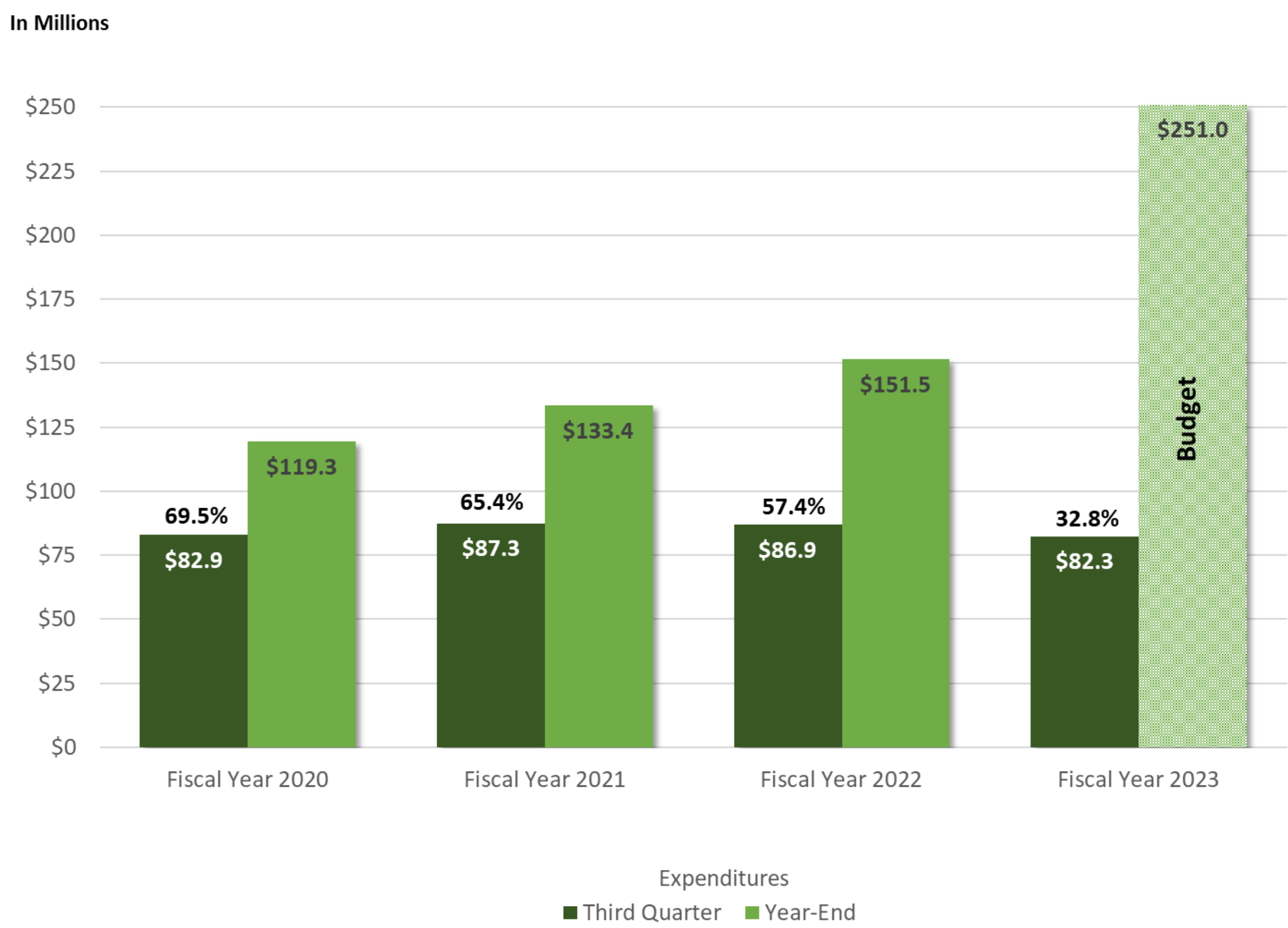


Departmental Expenditures

As of March 31, 2023, expenditures total $82.3 million for departments in this priority area, representing 32.8% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 57.4% to 69.5% of the final actual expenditures, placing this year's expenditures below the normal historical range.

Departments in this priority have budgeted for expenses associated with various projects that have not yet materialized. Environmental Resources – Fink Road Landfill has planned several large one-time expenses, such as heavy equipment purchases, flare replacement, and access road construction, that have not yet occurred. Parks and Recreation's budget includes $3.5 million in Building Community Services Investment funding, Planning and Community Development has appropriations related to State CARES Act and housing programs, and the Public Works budget includes over 90 projects and an additional $15 million for Building Community Infrastructure Fund projects.

Enhancing Community Infrastructure Four-Year Expenditures Comparison



Third Quarter Issues and Recommendation

There are no Third Quarter policy recommendations contained in this report for the priority of Enhancing *Community Infrastructure.*

Special Districts

At the time of the 2023 Adopted 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 eight months of Fiscal Year 2023 resulted in the requested changes to the Adopted Budgets for one County Service Area (CSA).

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

County Service Areas

A net increase in appropriations of $4,000 is recommended to the following:

- $4,000 for CSA 7 – Modesto Auto Center to cover the increased cost of maintenance services.

		Estimated Revenue			Appropriations/Expenditures		
Fund	County Service Area	FY 2023 Adopted Budget	Recommended Third Quarter Budget Adjustment	Recommended Third Quarter Budget	FY 2022 Adopted Budget	Recommended Third Quarter Budget Adjustment	Recommended Third Quarter Budget
1810	County Service Area No. 7 - Modesto Auto Center	$1,985	$0	$1,985	$7,330	$4,000	$11,330
Total			$0			$4,000	

The changes requested bring the previously approved engineers' reports, budget schedule, and the projects' development and maintenance plans in line with the CSA's budgets.

The total budgeted amount for all the CSAs in the 2023 Third Quarter Budget is $1,323,824 funded by $932,793 in revenue and $391,031 in fund balance.

Technical Adjustments

Technical adjustments recommended in the Third Quarter Financial Report include vacancy rate rebates to qualifying General Fund departments.

Vacancy Rate Rebates – General Fund departments containing 30 or more allocated positions had a deduction to salaries and benefits using a 5% vacancy rate factor applied to Adopted Budget as part of the budget process. Departments experiencing a vacancy rate over 5% and up to 7.5% are recommended to receive a 50% rebate of their applied vacancy rate deduction while departments experiencing a 5% or lower vacancy rate are recommended to receive a 100% rebate. The County Operations – Appropriations for Contingencies included appropriations to cover vacancy rate rebates.

As previously identified on pages 10-11 of this report, vacancy rate rebates totaling $338,699 is recommended for General Fund departments experiencing an average actual vacancy rate below 7.5% as of March 2023. Those departments are Agricultural Commissioner, Chief Executive Office – Human Relations, and Parks and Recreation (additional rebates totaling $328,317 were provided to the Sheriff's Department and are detailed in that section). The increase to appropriations will be funded with Appropriations for Contingencies which is included in the County Operations section of this report.

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
Agricultural Commissioner	$0	$114,212	$0	$114,212	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Chief Executive Office - Human Relations	$0	$99,306	$0	$99,306	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Parks and Recreation	$0	$125,181	$0	$125,181	Increase appropriations for 5% Vacancy Rate Rebate, funded by Net County Cost.
Total	**$0**	**$338,699**	**$0**	**$338,699**	

Recommendation: It is recommended to increase appropriations by $338,699, funded by County Operations - Appropriations for Contingencies.

Third Quarter Financial Report Conclusion

The 2023 Third Quarter Financial Report shows the County budget is balanced inclusive of updated information and actual performance is tracking well within the Legal Budget as of March 31, 2023, and year-end projections. County staff will continue to monitor the budget against operations and be prepared to recommend any necessary and appropriate adjustments prior to year-end, informed by continuous analysis of realized revenue and actual expenditures.

Budget Schedule

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

Budget Cycle Activity	2024 Proposed Budget	2024 Adopted Budget
Budget Available on County Website	June 9, 2023	September 8, 2023
Board of Supervisors Hearing	June 20, 2023	September 26, 2023