Mid-Year Financial Report
July—December 2009

BOARD OF SUPERVISORS

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Submitted by
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Introduction

This is the Chief Executive Office's Mid-Year Financial Report for the period of July 2009-December 2009 for the 2009-2010 Fiscal Year. It has been prepared to inform the Board of Supervisors, County leadership and the public of the County's fiscal status. The report provides revenue and expenditure summaries for County programs by each Board of Supervisors Priority and recommends adjustments to County budgets needed since the adoption of the Final Budget in September 2009.

While the Mid-Year Report primarily deals with the status of the County's budget as of December 31, 2009, and a look forward given the significant budget challenges facing the State of California and County Government, the report also includes a discussion on the budget strategies currently in place as well as those being developed to assure a balanced budget in Fiscal Years 2010-2011 and 2011-2012.

In Fiscal Year 2010-2011 the County anticipates facing declining revenues as a result of the impacts of the worsening economy on property and sales taxes, reductions in health care and social services funding, the State budget crises, and increased retirement costs. Some of the strategic options being considered for balancing the Fiscal Year 2010-2011 budget include moving to a revenue based approach in the allocation of General Fund revenue, allowing departments to carry over a portion of their net county cost savings from Fiscal Year 2009-2010 and the continuation of the no back fill policy for State and Federal imposed services and programs that no longer provide funding.

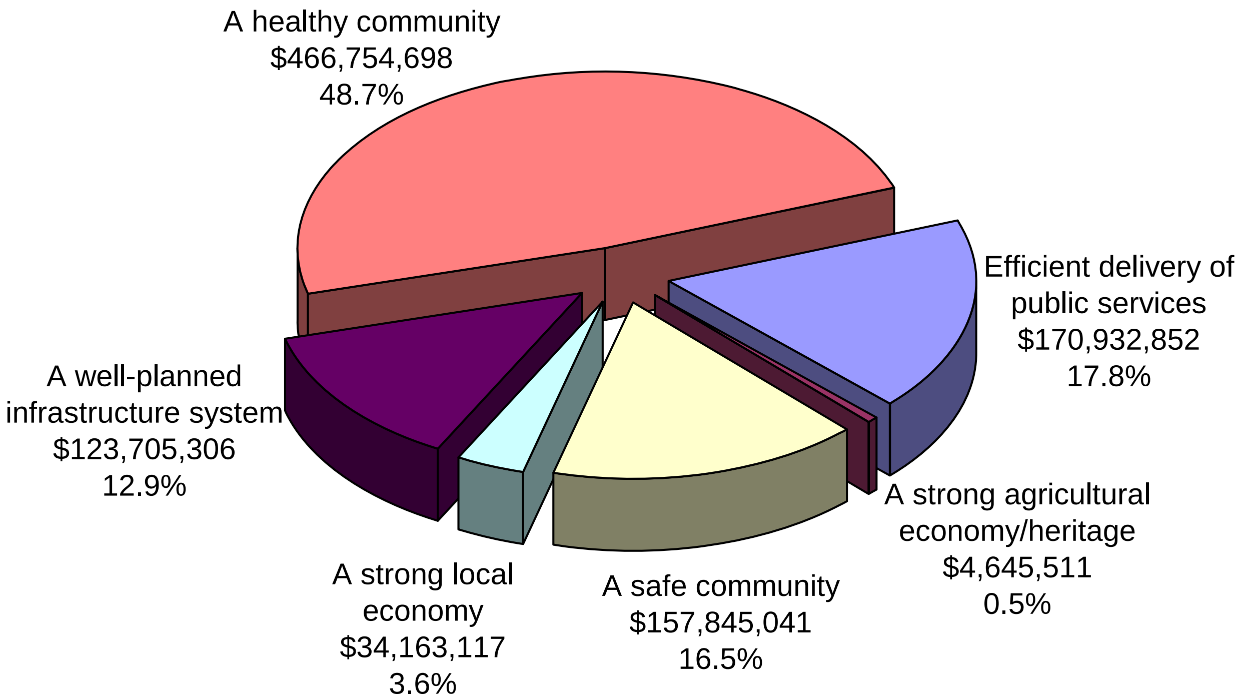
Summary

On September 15, 2009 the Board of Supervisors adopted the Fiscal Year 2009-2010 Final Budget for Stanislaus County. This spending plan of $958,046,525 for all funds reflected an increase of $2,932,370 or a .3% increase over the 2009-2010 Proposed Budget and a nearly 1% decrease over the 2008-2009 Final Budget. The Final Budget was balanced and used a combination of $920,102,903 in revenue and $37,943,622 in fund balance and one-time funding sources. The Final Budget also reflected designations in the General Fund totaling $58,900,408.

The County's 2009-2010 General Fund budget totaled $249,898,038 a decrease of .4% or $994,576 from the Proposed Budget adopted in June 2009 and a 7% decrease from the 2008-2009 Final Budget. The Final Budget for Fiscal Year 2009-2010 included $4 million in appropriations for contingency funds for unexpected exposures or emergencies.

The following chart reflects the total Final Budget by the Board of Supervisors priorities:

Fiscal Year 2009-2010
Final Budget Expenditures
By Board Priority
$958,046,525



BUDGET OVERVIEW

Up to the mid-year point, funds brought forward from the previous fiscal year along with first quarter adjustments and Board of Supervisors approved adjustments during this current fiscal year results in an adjusted budget. These actions are summarized below.

Overall Summary of Requested First Quarter Adjustments

The 2009-2010 First Quarter Financial Report presented on November 9, 2009 reflected recommended adjustments resulting in very little change to the spending plan and a fiscal review of department budgets. Departments requested $8,242,530 in total adjustments in the current year spending plan. There were no requests for additional General Fund. The Chief Executive Office recommended approval of all requested first quarter adjustments as they were funded by non-general fund sources. The recommendations increased estimated revenue by $8,059,192 resulting in an increase in the use of fund balance of $183,338.

The recommended changes were primarily within the Community Services Agency and the Health Services Agency – Public Health. The Community Services Agency had an overall increase in appropriations and estimated revenue of $8,713,167 primarily as the result of the Agency receiving final allocations of State and Federal funds for caseload growth for StanWORKs which includes increases for CalWORKs, Medi-Cal and Child Care. The Health Services Agency - Public Health requested a decrease in appropriations of $1,402,316 and a decrease in estimated revenue of $1,423,008, resulting in an increase in the use of fund balance of $20,692. These reductions were primarily as a result of the elimination or decrease in State Funds for Public Health Programs (Adolescent Family Life Program, Maternal Child and Adolescent Health Program and HIV/AIDS program), and a reduction in federal funding for Medi-Cal Administration Activities.

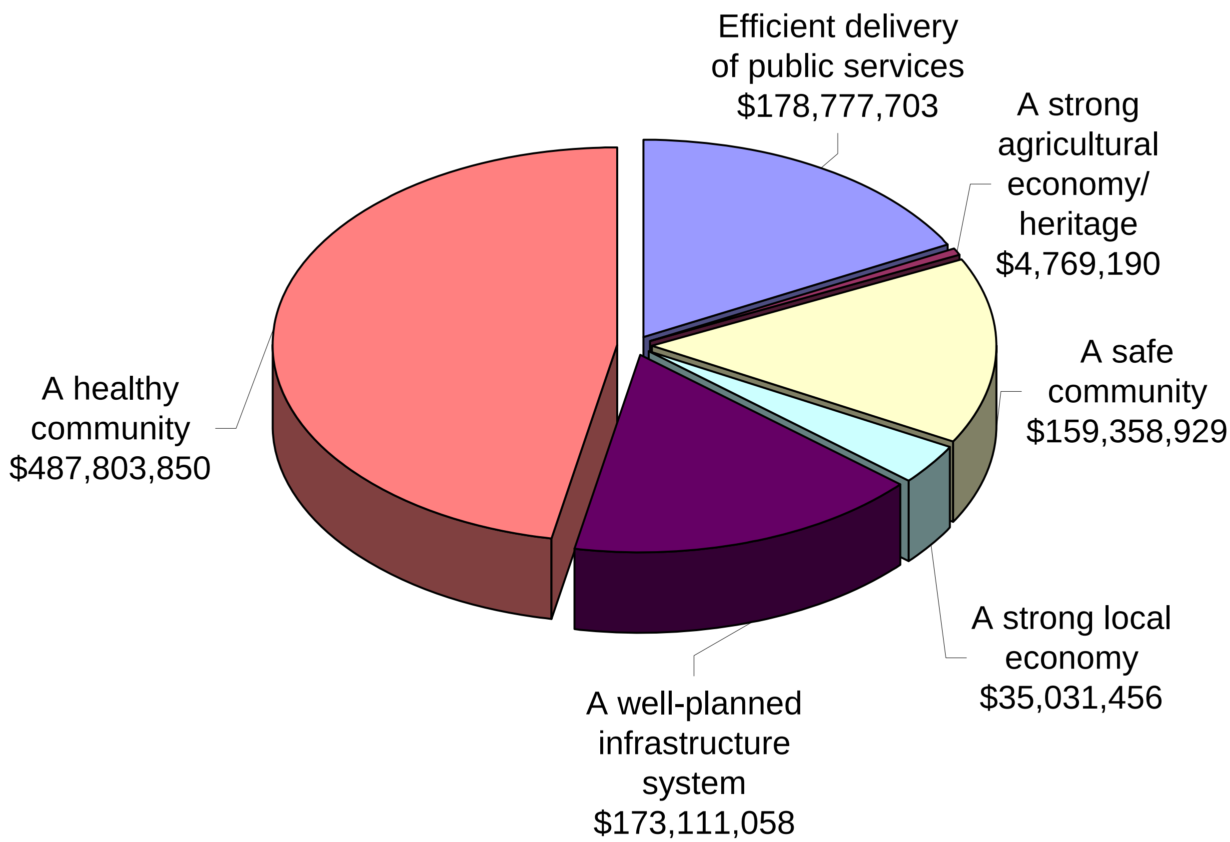
Summary of Budget Adjustments

The Final Budget is adjusted each year by including appropriations that are carried forward from the prior fiscal year for projects that were planned for and authorized by the Board of Supervisors, however, not fully completed. Funding for these projects are reserved or designated by the Auditor-Controller at year-end to ensure these costs are fully funded in the next fiscal year. In addition, throughout the year the Board of Supervisors approves adjustments to Department budgets either through the first quarter financial reports or in separate Board of Supervisor action agenda items. The sum of these adjustments through December 31, 2009 total $80,805,661. This reflects $39,452,557 in funding that was carried forward and $41,353,104 in budget adjustments approved by the Board of Supervisors in the current fiscal year through December 2009.

The result of these adjustments made prior to the mid-year review increased the total county budget to $1.039 billion in available spending authority in the current fiscal year.

The following chart reflects the adjusted budget slightly over $1 billion by Board of Supervisors priority as of December 31, 2009:

Fiscal Year 2009-2010 Adjusted Budget
Expenditure by Board Priority
$1,038,852,186 as of December 31, 2009



2009-2010 MID-YEAR OVERVIEW

The County took a very cautionary approach when establishing the Fiscal Year 2009-2010 spending plan in response to the continued decline in discretionary revenue, State budget cuts and the ongoing State fiscal crisis. All general services departments and Animal Services were issued a 12% reduction in net county cost and Public Safety Departments received a 5% reduction. The County also used $15.3 million in fund balance/one-time funds to balance the budget. At the mid-point of the year the County's spending plan continues to be balanced however there are still several areas of concern including the continued decline in sales tax, which impacts Proposition 172 (Public Safety Sales Tax) revenue and realignment revenue, as well as the uncertainty of revenue from Vehicle License fees, funding for assessment appeals hearings, funding for cash-outs of retiring employees, and any additional cuts by the State as a result of their continued decline in cash.

As of January 22, 2010, the State Controller reported that an additional $2.7 billion in cash solutions were necessary for the State to avoid a cash shortage in the current fiscal year and the Governor's current spending plan proposes a variety of budget solutions to be enacted during the current Proposition 58 special session. If fully adopted these solutions have a cash value of $1.3 billion that will be realized during the remaining months of the current fiscal year. Staff will continue to closely monitor all State actions.

Overall Summary of Requested Mid-Year Adjustments

The 2009-2010 Mid-Year Financial Report reflects recommended adjustments, a fiscal review of departmental budgets, and a cash analysis, by fund, at mid-year:

- Departments requested a total of $1.5 million in net reductions to the current year spending plan;
- The Chief Executive Office's mid-year recommendations include a total increase in appropriations of $496,783 funded by increased revenue and use of fund balance/retained earnings. While individual budget units may have increased revenue, the recommendations include an overall decrease in estimated revenue of $6,694,689, including County Match, resulting in a increased use of fund balance/retained earnings of $7,191,472;
- Also recommended are transfers from Appropriations for Contingencies totaling $997,825 for retirement cash-outs and costs associated with the Statewide Direct Primary Election; and
- Discretionary revenue projections have been re-evaluated and reduction of $11.3 million is recommended. Of the one-time decrease, $7.9 million is the result of a payment due to the State from the suspension of State Proposition 1A and $3.4 million is an on-going decrease, the result of the continued decline in property and sales tax. It is recommended that $7.9 million of the decrease be funded by undesignating funds previously set aside for our Proposition 1A exposure. The $3.4 million decrease in discretionary revenue will be covered by the use of one-time General Fund fund balance.

Looking forward to Fiscal Year 2010-2011, significant concerns remain in many areas which are highlighted below.

Retirement

On January 26, 2010, Ed Friend, Inc (EFI) Actuaries presented the preliminary StanCERA actuarial review and analysis as of June 30, 2009. This report recommended a nine percentage point increase in employer contribution rates. On March 15, 2010 it is anticipated that the StanCERA Board will provide policy direction to EFI on: (1) the amortization period length for amortizing unfunded liabilities; (2) how the employer contribution rate to pay for the annual amortized cost of the unfunded liabilities may need to be adjusted for a reduction in members' pay; and (3) the potential for adjustment of the City of Ceres and other small Districts' employer contribution rates to better align with Stanislaus County and former County public agencies' (Courts, StanCOG) retirement contribution rates that include recent, large investment losses. Prior to the StanCERA board making their decision, on February 10, 2010, Stanislaus County Chief Executive Officer wrote a letter to the Retirement Administrator requesting; an allocation of $12 million per year for the fiscal years 2010-2011, 2011-2012, 2012-2013 and 2013-2014 to offset the increased employer retirement contribution rates; transfer the remaining non-vested benefit reserve funds to the vested benefit reserves; remain with StanCERA's existing policy of a 30 year amortization for the County; change the current procedure of freezing the unfunded actuarial accrued liability (UAAL) for Ceres and other Districts; and appropriately sharing the gains and losses with all employers participation in StanCERA. Based on the direction from StanCERA, EFI Actuarial will finalize the draft report and employer contributions. It is anticipated that the County will receive the new rates in May 2010. Departments have been requested to calculate the impact of the retirement increase to their department by including a rate increase from 9% of payroll on average to 18% of payroll on average for the 2010-2011 Fiscal Year. The impact to the County of this increase is anticipated to be over $22 million and will result in a significant number of reductions-in-force and service level reductions to the community.

Health and Human Services

Significant challenges remain in the area of health and human services. The Governor's Proposed State Budget for 2010-2011 includes many cuts and payment deferrals in the health, mental health and social services programs that, if adopted, will be passed directly to counties. The budget proposal also includes a major proposal to "trigger" severe health and human services cuts, including the wholesale elimination of the CalWORKs, Healthy Families, and In-Home Supportive Services (IHSS) programs if the State is unable to secure additional federal funding. Additionally, the weakened economy has caused a corresponding decrease in realignment revenue, thereby burdening the financial support of the health and human services departments.

The County's obligation for the In-Home Supportive Services (IHSS) program is projected to increase by $3.6 million based on current IHSS Individual Provider wages and projected caseload growth next year. This includes a potential additional mandated County Match exposure of $2.6 million, for which funding is clearly not available. This exposure would be worsened by further decreases in realignment revenue. State legislative mandate relief is needed for this program to avoid further reductions to all other locally funded programs.

The Health Services Agency continues to face funding challenges in its Clinics and Ancillary Services Division. Most recently, the Family Medicine Residency Program has been declared a "new" program by the accrediting body, the Accreditation Council for Graduate Medical Education, effectively approving the newly formed Valley Consortium for Medical Education (VCME), to act as the sponsor the residency program, and therefore enabling the program to once again qualify for Federal funding. The VCME is a partnership between the County, the Health Services Agency's Federally Qualified Health Centers (clinics), Doctors Medical Center and Memorial Medical Center. Final cost sharing for the partners will be based on final determinations needed still at the Federal level. Also the opportunity for additional hospitals to participate is being considered. Regular reports will continue on this effort.

Public Works

The majority of Public Works budget units are supported through the Road Fund. The exception is Local Transit, which derives revenue from a separate source.

The two main sources of Public Works funding are Highway User's Tax (HUTA), derived from the per gallon tax on fuel, and Proposition 42 funds, derived from the sales tax on fuel. The Governor proposes to eliminate the sales tax on gasoline and replace it with a 10.8 cent excise tax (per gallon tax). A portion of these funds would then replace the Proposition 42 funds. Although the first year implications are minimal, there are substantial long term implications with this approach.

Proposition 42 funds are an increasing revenue source. In a good economy, Proposition 42 has a growth potential of approximately 5% per year. Conversely, regardless of the economic condition, excise tax is a declining revenue source. As vehicles become more fuel efficient, fewer taxes are collected. The proposed swap of excise tax for sales tax revenues associated with gasoline therefore reduces the growth potential for transportation funding. Fiscal Year 2008-2009 and 2009-2010 HUTA receipts support this concern. Due to economic conditions, current HUTA receipts are at Fiscal Year 2000-2001 levels. Prior to 2008, HUTA experienced average annual increases of only 2.5%.

In addition, substantial constitutional protections are afforded to Proposition 42 funding. These protections do not apply to the excise tax or HUTA. Proposition 42 funds can only be borrowed twice in a ten year period and requires payback before borrowing a second time. Furthermore, payback must occur within three years and with interest. The State constitution currently permits the State to borrow HUTA with required payback within three fiscal years, but with no interest requirements and no restriction on consecutive or limited year borrowing.

The Governor's initial budget proposal for Fiscal Year 2010-2011 also is requesting a change to the funding source for State Transit Assistance Funds (STAF). These funds are used for funding transit operations in Stanislaus County and have historically been derived from sales tax on gasoline and diesel fuels.

The Governor's proposal would eliminate this funding source and effectively eliminate all funding for STAF. This would reduce countywide transit operator's funding by $3 to $4 million in Fiscal Year 2010-2011. The absence of STAF will result in an increased demand for limited available local transportation funds (LTF). Although there may not be an immediate impact to the County's Stanislaus Regional Transit (StaRT) services, long term implications exist. STAF is a major source of operation funds and is the only funding source dedicated solely for transit operation costs. Elimination of this funding, along with declining LTF, may impact the ability to continue to fund transit services at current levels.

General Liability

In reviewing all open and potential claims against the County for the current fiscal year and into the 2010-2011 Fiscal Year, the potential for a significant exposure in General Liability has been identified. There are two reasons there may be a significant increase in charges in 2010-2011. First, in Fiscal Years 2008-2009 and 2009-2010 retained earnings of $1.6 million and approximately half a million dollars were used to offset charges to departments. It is anticipated that very limited retained earnings will be available to offset charges in Fiscal Year 2010-2011. In addition, an increase in anticipated claims costs due to a handful of cases that are expected to exceed the Self-Insured Retention (SIR) of $250,000 is resulting in higher charges with a lack of retained earning to offset the increase. Although the full impact of the exposure is not known at this time, General Liability will continue to be monitored closely.

Unemployment

Beginning in November 2008 a series of extensions were granted extending unemployment benefits from 26 weeks up to 99 weeks. The first series of extensions were granted in November 2008 and totaled 33 weeks. This extension is referred to as the Federal-State Extended Benefits program and becomes effective only when unemployment is very high. This extension is funded entirely through the Federal Government.

In March 2009, the Federal Extended Duration (FED-ED) extended benefits program granted an additional 20 weeks in unemployment benefits. In November 2009, an additional extension was granted under the FED-ED program granting an additional 20 weeks of benefits. These latest extensions, totaling up to 40 weeks, are charged at 100% to governmental entities and federally recognized Indian tribes. The first claims from the FED-ED extension began to be paid by the county beginning the second quarter of calendar year 2009.

The total of these extensions could potentially more than double the amount of weeks the county is responsible for paying unemployment claims costs for a qualifying employee from 26 weeks to 66 weeks in total. The full impact of these extensions are still under review and will be taken into consideration when developing the 2010-2011 Proposed Budget for the Chief Executive Office-Risk Management Unemployment Self-Insurance budget.

Utilities

On February 1, 2010, the Modesto Irrigation District (MID) Board of Directors approved an electric rate increase of 7%. The General Services Agency (GSA) - Administration Division notified all County departments of the rate increase and recommended that Departments carefully review their utility projections and assumptions, and to continue to monitor the charges for the remainder of the year. GSA - Administration is currently working on budget forecasts for Fiscal Year 2010 - 2011, and is including a 5% increase for January 2011 in base projections for all County departments is estimated at $100,000.

Labor Relations

The County is actively involved in several negotiations with labor agreements expiring during or at the conclusion of Fiscal Year 2009-2010. In the first half of this year, the County reached agreement with the Sworn Deputy Sheriffs' Bargaining Unit on a new labor agreement for the period of July 1, 2009 through December 31, 2010. The County has also invited all County bargaining units to participate in collective negotiations to address proposed labor cost reduction strategies in Fiscal Year 2010-2011. These discussions are critical to identifying opportunities to reduce labor costs for all County bargaining units in an effort to address our projected budget deficit.

Below is a schedule by bargaining unit of contract expiration dates:

Bargaining Unit	Allocated Positions	Percent of Workforce	Contract Expiration Date
Sheriff Supervisor Association	29	.7%	6/30/2009
Deputy Sheriff Association - Custodial	217	5.4%	12/31/2009
District Attorney Investigators	16	.4%	3/31/2010
Service Employees' International Union, (SEIU) Local 521	621	15.7%	6/30/2010
County Attorney's Association	77	1.9%	6/30/2010
Emergency Dispatchers Association	44	1.1%	6/30/2010
Resident Physicians	28	.7%	6/30/2010
Deputy Probation Officers	106	2.7%	7/31/2010
Group Supervisor Association	82	2.1%	12/31/2010
Stanislaus Sworn Deputy Association	183	4.6%	12/31/2010
Sheriff Management Association	18	.5%	2/28/2011
Registered Nurses	94	2.4%	2/28/2011
Stanislaus County Employees Association, (AFSCME) Local 10	2,036	51.4%	5/31/2011
Unrepresented	413	10.4%	N/A
Total[1]	3,964	100%	

[1] Not included in this total are the In-Home Supportive Services Individual Providers (IHSS-IP) workers represented by the United Domestic Workers of America (UDWA) whose contract expires 9/30/2010

Health Insurance

Health insurance benefits are negotiated collectively under one agreement for all represented bargaining units. The current one-year agreement for employee health benefits expires on December 31, 2010. The current agreement includes two HMO options (Kaiser and Blue Cross). Both Kaiser and Blue Cross also have Health Savings Account (HSA) options in addition to the HMO option. The cost of medical plan options will increase approximately 4.5% or $2.1 million in 2010. To partially offset this increase, the County estimates a savings of approximately $1.9 million on dental and vision costs in 2010 based on eliminating the current flexible benefit plan for dental and vision insurance and replacing it with specific levels of dental and vision coverage.

GENERAL FUND UPDATE

Discretionary Revenue

As of mid-year actual discretionary revenue was $39.5 million compared to $47.9 million for the same time period one year ago. This amount represents 25.6% of the 2009-2010 Final Budget figure of $154.2 million. Typically, discretionary revenue at this point of the fiscal year ranges from 27.7% to 29.5% of the total year actual collections when looking at the prior five years. This comparison indicates that discretionary revenue is below the typical range when assessing the year-end position and suggests that decreasing revenue estimates is in order. At the mid-point of the fiscal year a more accurate picture of revenue sources is developed and currently shows that year-end actuals are projected at $142.9 million, an $11.3 million decrease at the final budget.

Of the $11.3 million decrease, $7.9 million comes as the result of the payment to the State due to the approval to suspend Proposition 1A. Proposition 1A, as approved by the voters of California on November 2, 2004, amended the State Constitution by prohibiting the legislature from modifying the manner in which property tax revenues are allocated to the local taxing agencies. However, the provisions of Proposition 1A can be suspended under certain conditions and on July 28, 2009, the State legislature passed, and the Governor signed into law, the suspension of the property tax protection provisions of Proposition 1A and allowed the State to borrow up to 8% from the Fiscal Year 2009-2010 property tax allocation of local entities. To prepare for this State borrowing, the County designated $4.5 million of its fund balance in Fiscal Year 2006-2007 and added $3.4 million more at the beginning of the current fiscal year for this exposure. This designation will cover the one-time $7.9 million decrease to discretionary revenue, leaving the remaining projected $3.4 million as the remaining discretionary revenue shortfall.

Following is a summary of activity in various revenue accounts, including recommended adjustments to the current year budget:

Property Taxes: Included in this category are the current secured and unsecured property taxes, unitary tax, supplemental taxes, redevelopment pass through increment, the property tax received in lieu of vehicle license fees and State reimbursement for homeowners' property tax relief.

As expected, the assessment roll as determined in June of 2009 and upon which the current tax roll is based once again experienced a decline from the prior year's roll. However, the 7.84% decrease was not as significant as the 13% that was anticipated when the Proposed Budget was established. Supplemental tax revenue is beginning to show a slight rebound as most of the reductions in property values were absorbed into the overall assessment roll. Indications suggest that increasing the property tax revenue budget would be in order but any increases are overshadowed by the $7.9 million Proposition 1A loan to the State. For this reason we are recommending a decrease of $2,624,052 to the various discretionary revenue property tax accounts.

Transfer Tax: As of mid-year the County has received Property Transfer Tax of $659,524, a significant decrease to the $948,096 collected as of December 31, 2008. This tax is collected by the Clerk-Recorder at the time of recording when an interest in real property is conveyed. Projected fiscal year-end revenue of $1,319,000 is considerably less than the $1,651,000 budget which was based on the stronger performance of last fiscal year. Based upon the expectation that the real estate market will mirror the activity of the first half of the fiscal year, it is recommended that the Transfer Tax revenue budget be decreased by $332,000.

Sales Tax: Revenue received as of mid-year is $1,691,280 less than last year at this time. Each month has resulted in increasingly dismal news regarding consumer spending as the economy continues to struggle in the Central Valley. Although a decline in sales tax revenue was factored into the proposed budget, the actual sales activity during the first sixth months was far weaker than anyone expected. As we approach the latter half of the fiscal year a decrease to this revenue source is recommended. Projected year-end collections of $11 million will fall well short of the $13.3 million budgeted amount. A decrease of $2.3 million is recommended for the Sales Tax revenue account to more accurately reflect anticipated actuals in the current fiscal year.

In Fiscal Year 2004-2005 the State developed a financing structure for the State Economic Recovery Bonds. The State "flipped" one-fourth of the Bradley-Burns Sales and Use Tax from the counties and cities to the bond trustee for debt service payments. In order to compensate for the lost revenue to cities and counties, an equivalent amount of property taxes from the County Education Revenue Augmentation Fund (ERAF) were shifted to an "In-lieu of Sales and Use Tax" account. The third leg in this "Triple Flip" required that the State make up lost ERAF revenue to education from the State of California's General Fund. Payments to the "In-lieu of Sales and Use Tax" account are made by the Auditor-Controller in January and May of each fiscal year with an annual "true-up" occurring in the following fiscal year. Based upon the State Department of Finance's reconciliation of the prior year actual revenue, the County's true-up payment will include a decrease of $439,840.31 resulting in an adjusted amount of $3,762,405 for this year. The current budget was established based on a modest reduction to the prior year but updated information from the State Department of Finance revealed that prior year's estimates were unrealistically high and the overpayments would be recaptured by the State in Fiscal Year 2009-2010. A decrease of $871,000 is necessary to bring the budgeted amount in line with the expected actuals.

Overall, it is recommended to decrease the Sales and Use Tax and the In-lieu of Sales and Use Tax estimated revenue at mid-year, accounts by a total of $3,135,000 to reflect actual revenue that will be received in the current year.

Public Safety Sales Tax (Proposition 172): Actual revenue received as of December 31, 2009 is $1.5 million less than that received during the same period one year ago. Proposition 172 provides for a one-half cent Sales and Use Tax for local public safety services. This revenue source supports only the District Attorney, Probation, Sheriff and Public Defender budgets. Revenues collected by the State Board of Equalization are apportioned to each county based on proportionate shares of Statewide taxable sales. This apportionment rate (or pool rate) adjusts each year according to how local sales compare with the sales activity of all other California counties. Stanislaus County's adjusted rate of .012664 for the current fiscal year was issued in January and reflects a decrease from the prior year's rate of .012732. This slight decrease in the proportionate share of a shrinking Statewide revenue pool of sales tax dollars significantly impacts this revenue source. It is estimated that year-end revenue will fall $4.4 million short of last year and $5.5 million short of the current year's budget. Therefore, a recommendation is made to decrease the estimated revenue by $5,538,000 at this time. Currently the County already overmatches Proposition 172 funded departments, Sheriff, District Attorney and Probation above the maintenance of effort (MOE) by $48 million.

Penalties on Delinquent Taxes: Typically, revenue earned from penalties on delinquent property taxes are posted in the second half of the fiscal year, and many times not until the year-end close. Last fiscal year, nearly $11 million was posted by year-end, driven primarily by the overwhelming increase in foreclosures. The budget for the current fiscal year was established prior to the final close and $6.4 million in penalty revenue was estimated. During the first two quarters of this fiscal year, payments on delinquencies are still relatively strong and estimates for year-end have risen to $8 million, leading to a recommendation to increase this revenue source by $1.6 million.

Interest Earnings: The interest rate earned by funds on deposit in the County treasury is adjusted quarterly and ranged from a high of 3.43% to a low of 2.72% during the previous fiscal year. In comparison, the rate for Fiscal Year 2009-2010 thus far has ranged from 2.153% to 2.03%. Initially the budget for the current fiscal year was based on projections in the third quarter of the prior fiscal year. In light of the decreasing rates and fluctuations in the daily cash balance it is recommended to decrease this source of revenue by $471,000 in the current year. The result is an annual projected budget of $2,927,000.

Miscellaneous Revenue Categories: Adjustments to several other discretionary sources are recommended at this time to more accurately reflect year-end projections. Revenue in the SB 813 administration costs category results from the recovery of costs associated with the administration of the Supplemental Property Tax adjustments. A conservative budget of $300,000 was established at the time of the proposed budget but a $550,000 estimate is more in line with the actual revenue received by the end of last fiscal year, resulting in a recommended increase of $250,000. Decreases of $145,000 to the Occupancy Tax and $801,670 to the Governmental Carry Forward accounts are also requested. Net decreases totaling $69,430 are recommended to other miscellaneous sources.

Worth noting is the absence of revenue received from Open Space Subvention, or Williamson Act monies. As a result of the State Budget act this source of revenue was not included in the final budget and as of yet there is no indication that this will be restored. The total amount received in Fiscal Year 2008-2009 was over $1.3 million.

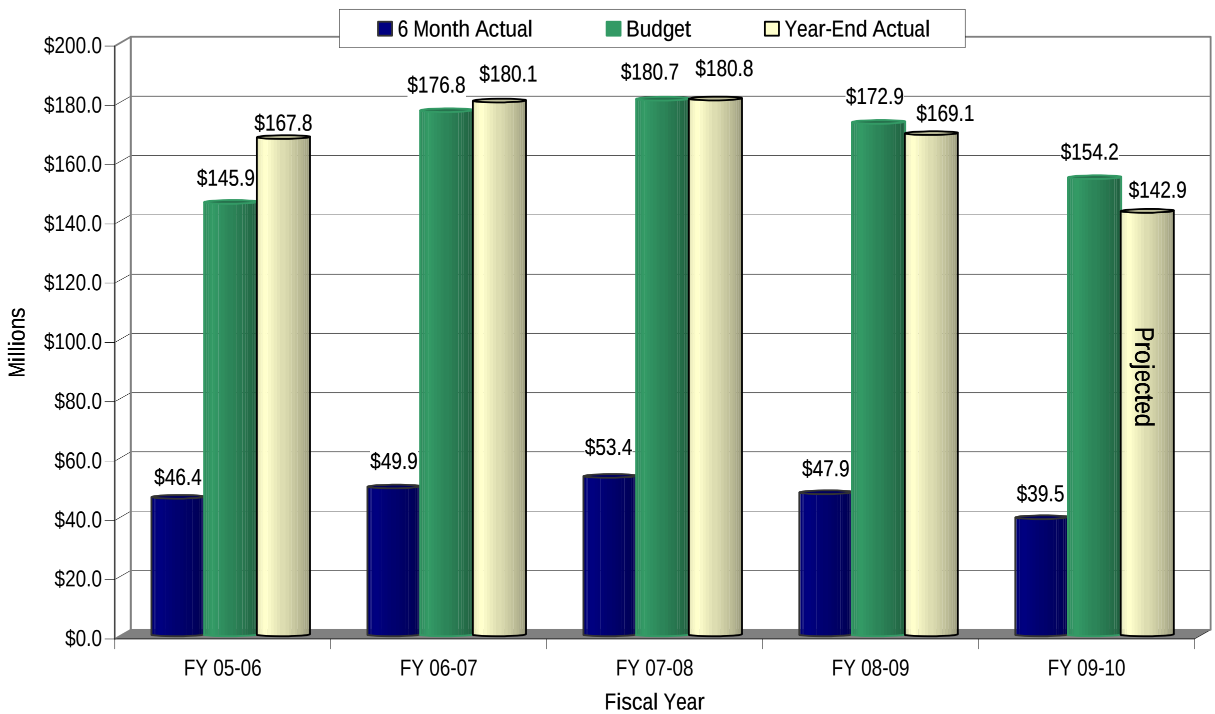
The following chart reflects the summary of recommended changes in Discretionary Revenue:

Discretionary Revenue Description	Final Budget FY 2009-2010	Mid- Year Recommendation	Recommended Budget Increase/(Decrease)
Property Taxes	$ 86,962,400	$ 84,338,348	$ (2,624,052)
Transfer Tax	1,651,000	1,319,000	(332,000)
Sales & Use Tax (Including In-lieu)	17,897,000	14,762,000	(3,135,000)
Public Safety Sales Tax (Prop 172)	30,748,000	25,210,000	(5,538,000)
Penalties on Delinquent Taxes	6,400,000	8,000,000	1,600,000
Interest Earnings	3,398,000	2,927,000	(471,000)
Miscellaneous Revenue Categories	7,100,340	6,334,240	(766,100)
Total	$ 154,156,740	$ 142,890,588	$ (11,266,152)

Recommended Budget Adjustment: It is recommended that discretionary revenue accounts be adjusted as described above for a net decrease of $11,266,152, bringing the new discretionary revenue total to $142,890,588. This is a significant reduction in local discretionary revenue. However, approximately $7.9 million will be funded from the State 1A Funding Exposure Designation. The remaining $3.4 million will be absorbed by the General Fund fund balance.

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

General Fund—Discretionary Revenue Five Year Comparison



General Fund – Designations

Designations are funds set aside by the Board of Supervisors for specific restricted uses beyond the current fiscal year. Designations can be set up only during the final budget process but funds can be undesignated at any time during the year with a four-fifths vote of the Board of Supervisors. General Fund designations totaled $48,564,287 at the beginning of the current fiscal year. A total net increase of $10,336,121 was approved with the final budget. Included in this increase were new designations for future retirement and Teeter Plan exposures. Additionally, the Litigation designation was increased in preparation for change of venue expenses in a capital murder case, the State 1A designation was increased for exposures in the Proposition 1A suspension and a redesignation of unused capital project funds was made to the Tobacco Settlement designation. Partially offsetting the increases were Carryover Appropriations decreases and the use of Contingencies to balance the 2009-2010 budget. Reductions in the amount of $10,112 to the Contingency designation have occurred through December as part of an approved action item from July 10, 2007, authorizing incremental transfer of undesignated funds to Stanislaus Regional 911 as a loan for the project costs associated with the purchase and implementation of the new Computer Aided Dispatch system. The loan is to be paid back to the County over a five-year period at 5% simple interest once the project is completed. The total net change in designations leaves a balance of $58,890,296 as of December 31, 2009.

Two requests are being made at mid-year for use of designations. One is to use the State 1A Funding Exposure designation to cover the loan made to the State as described in the Discretionary Revenue section above. The payment amount will be $7,866,152, slightly lower than the amount of the designation, leaving a balance of $75,822. The second request is to use $64,895 of the Tobacco Settlement designation to assist with the payout to the City of Waterford regarding the Contract Cities Fund. This is further detailed in the Contract Cities portion of the Sheriff's narrative found in the *A safe community* section. It is recommended that these requests be approved, resulting in an adjusted balance of $50,959,249 as reflected in the following chart.

Designation	2009-2010 Designations as of 12/31/09	Recommended Increases / (Decreases)	2009-2010 Adjusted Designations
Debt Service	$ 11,779,459		$ 11,779,459
Contingency	3,265,277		3,265,277
Tobacco Settlement	1,738,738	(64,895)	1,673,843
Tobacco Securitization	202,508		202,508
Restricted	1,300,000		1,300,000
Parks Projects (Other)	926,762		926,762
Litigation (Other)	3,757,614		3,757,614
Facility Mtce & Improve (Other)	1,000,000		1,000,000
State 1A Funding Exposure (Other)	7,941,974	(7,866,152)	75,822
Landfill Repayment (Other)	8,691,959		8,691,959
Retirement Obligation	2,000,000		2,000,000
Teeter Plan	13,344,174		13,344,174
Carryover Appropriations (Fund 100)	2,808,872		2,808,872
Carryover Appropriations (Fund 105)	32,959		32,959
Carryover Appropriations (Fund 107)	100,000		100,000
Total Designations	$ 58,890,296	$ (7,931,047)	$ 50,959,249

CASH REVIEW

General Fund Overall Cash Position

As of mid-year, the General Fund cash balance was $41.4 million compared to $27 million for the same period last fiscal year. A combination of events has resulted in this increase in cash. The transfer of $13.3 from the partial release of Teeter Reserve resulted in an infusion of cash early in the fiscal year, and while December 2009 General Fund revenue is $8.3 million below December 2008 collections, there has been a decrease in expenditures of $10.1 million from December 2008 to December 2009. Much of the reduction in revenue is a result of the $5.7 million decrease in revenue from property taxes and $1.5 million reduction in Proposition 172 sales tax revenue. The most significant reductions in expenditures were a $4 million decrease in Salary and Benefits and $3.6 million in Services and Supplies. Other expenditure reductions include a $1.3 million decrease in Fixed Assets and, as a result of the 12% reduction in County Match, payments to county match departments decreased by $1.5 million.

In addition, when comparing mid-year to the fiscal year-end close of 2008-2009, General Fund cash is at $41.4 million compared to $76.2. This cash is used to cover all General Fund expenses associated with operation of the County including payroll. Because the County usually collects only 25-30% of discretionary revenue by December 31st, there is a sharp reduction in cash in the Treasury during the first half of the fiscal year.

Special Revenue Funds Overall Cash Position

As of mid-year, the Special Revenue Funds cash is at $76.6 million compared to $64.3 million for the same period last fiscal year. The primary reason for the $12.3 million improvement, when compared to the same period last fiscal year, is the increase of $8.4 million in Behavioral Health and Recovery Services - Mental Health Services Act (MHSA) Proposition 63 as a result of implementing the Prevention and Early Intervention (PEI) component and an increase in the Fiscal Year 2009-2010 Community Services and Support allocation.

Several other funds had significant changes in their cash position when comparing mid-year this fiscal year to mid-year last fiscal year:

- The cash balance for Alliance Worknet has decreased by $1.1 million as a result of the implementation of the Summer Youth Program of 2009 and additional training opportunities made available to the increased number of dislocated workers in the community. The negative mid-year cash position is representative of the lag time associated with the State's reimbursement of claims filed for actual expenditures;

- The cash balance in Behavioral Health and Recovery Services - Mental Health Services has increased by $3.3 million as a result of an increase in payables and the transfer of all remaining funds from the sale of the Stanislaus Behavioral Health Center to Doctor's Medical Center in October 2007. These funds have been designated for future uses to be approved by the Board of Supervisors;

- The cash balance for Children and Families First Commission decreased by $1.1 million as part of the Commission's reduction strategy to allow more programs to be operated in the County to promote the development and well being of children ages 0-5;

- The cash balance for Community Services Agency – Program Services and Support has increased by $3.4 million as a result of the improved flow of Federal and State monies to support mandated programs as well as an increase in accounts payable;

- The cash balance for Community Services Agency – Public Economic Assistance has increased by $1.8 million as a result of the significant advance of State and Federal revenue reflecting projected increased assistance caseloads; and

- The cash balance for the Health Services Agency – Administration has decreased by $2.1 million as a result of funds due to the Administration budget from other Health Services Agency budgets that have not been transferred timely. This process has been since corrected by establishing an account receivable which will be paid by the budgets prior to year-end.

In addition, in comparing Mid-Year 2009-2010 to the fiscal year-end close of 2008-2009, the Special Revenue Funds cash is at $76.6 million compared to $70 million.

Several funds had significant changes in their cash position when comparing mid-year this fiscal year to year-end for Fiscal Year 2008-2009:

- The cash balance for Alliance Worknet has decreased by $1.4 million as a result of the timing of receipt of State and Federal funds;

- The cash balance for the Community Services Agency – Public Economic Assistance budget has increased by $7.3 million as a result of the timing of receipt of State and Federal funds;

- The cash balance for the Department of Child Support Services budget has decreased by $3.9 million as a result of delays in the receipt of State and Federal reimbursements;

- The cash balance for the Health Services Agency – Administration budget has decreased by $1.7 million as a result of funds due to the Administration budget from other Health Services Agency budgets that have not been transferred timely. This process has been since corrected by establishing an account receivable which will be paid by the budgets prior to year-end;

- The cash balance for the Health Services Agency – Public Health budget has decreased by $1.4 million as a result of delays in the receipt of State and Federal reimbursements;

- The cash balance for the Behavioral Health and Recovery Services – Mental Health budget has increased by $2.8 million as a result of the transfer of all remaining funds from the sale of the Stanislaus Behavioral Health Center to Doctors Medical Center in October 2007;

- The cash balance for the Behavioral Health and Recovery Services – Mental Health Services Act budget increased by $11.2 million as a result of additional State funds for approved programs within this budget; and

- The cash balance for the Public Works - Road and Bridge budget has decreased by over $5 million due primarily to the State's deferral of Highway Users Tax (HUTA), Proposition 42 and Proposition 1B funds. A small portion of the variance is due to unused funds transferred back into the Public Facility Fees Fund for completed road projects.

Capital Projects Funds Overall Cash Position

As of mid-year, the Capital Projects Funds cash position is at $29.7 million compared to $38.7 million for the same period last fiscal year. The negative $9 million cash position this fiscal year over last is primarily due to a decrease in the Redevelopment Agency for construction efforts for the Keyes Storm Drain Project which should be completed by the end of the fiscal year.

A few other funds had significant changes in their cash position when comparing mid-year this fiscal year to mid-year last fiscal year:

- The cash balance for the Redevelopment Agency has increased by $2 million as a result of interest earned on the bond money received for the Keyes Storm Drainage Infrastructure Project; and

- The cash balance for CEO - Public Safety Center Jail Expansion Capital Project has decreased by $100,000. Originally cash of $2 million was designated to the capital project as the result of transferring in Public Facility Fees for the first phase of the project. Of this amount, the project has $600,000 in expenditures to date, and $1.4 million of cash remains in the capital project.

In addition, in comparing mid-year to the fiscal year-end close of 2008-2009, the Capital Projects Fund cash is at $29.7 million compared to $38.7 million. The primary reason for the decrease in cash of $9 million when compared to the previous fiscal year's close is the result of the Redevelopment Agency's construction efforts for the Keyes Storm Drain Project which should be completed by the end of the fiscal year.

Enterprise Funds Overall Cash Position

As of the midyear, the Enterprise Funds cash is at $9.6 million compared to $19.6 million at the same period last year. The primary reason for the $10.1 million reduction when compared to the same period last fiscal year is the decrease of $4.8 million in the Health Services Agency's Clinics and Ancillary Services budget resulting from the anticipated delay in receiving the increased Medi-Cal rates for visits to the Federally-Qualified Health Centers Look-Alike (FQHC-LA) designated clinics. The increased rates are calculated on the first full year of actual costs and will be applied to all qualifying patient visits that have occurred since the clinics received the designation in September 2007.

Several other funds had significant changes in their cash position when comparing mid-year this fiscal year to mid-year last fiscal year:

- The cash balance for the Department of Environmental Resources - Fink Road Landfill budget has decreased by $2.3 million as the result of the planned construction of Cell 5 that will increase landfilling capacity at the facility;

- The cash balance for the Behavioral Health and Recovery Services - Stanislaus Behavioral Health Center (SBHC) has decreased by $2.3 million as the result of the transfer of all remaining funds generated by the sale of SBHC to Doctors Medical Center that occurred in October 2007, into the Behavioral Health and Recovery Services' special revenue fund; and

- The cash balance for the Public Works Department - Local Transit System budget has decreased by approximately $600,000 as the result of expenditures on transit projects which include the purchase of Compressed Natural Gas (CNG) vehicles.

In addition, in comparing midyear to the fiscal year-end close of 2008-2009, the Enterprise Funds cash is at $9.6 million compared to $16.4 million. The primary reason for the $6.8 million reduction when compared to the previous fiscal year's close is a decrease of $5.6 million in the Health Services Agency's Clinics and Ancillary Services budget resulting from the anticipated delay in receiving the increased Medi-Cal rates for visits to the Federally-Qualified Health Centers Look-Alike (FQHC-LA) designated clinics. The increased rates are calculated on the first full year of actual costs and will be applied to all qualifying patient visits that have occurred since the clinics received the designation in September 2007. Additionally, there is a decrease of $2.2 million in the Department of Environmental Resources' Fink Road Landfill budget as the result of the construction of Cell 5 that will increase landfilling capacity at the facility.

Internal Service Funds Overall Cash Position

As of mid-year the Internal Service Funds cash is at $36.6 million compared to $38.2 million for the same period last fiscal. The primary reason for the $1.6 million decrease in cash, when compared to the same period last fiscal year, is the decrease of approximately $2 million in the Risk Management – General Liability Self-Insurance fund as a result of increased use of retained earnings to offset departmental charges in Fiscal Years 2008-2009 and 2009-2010. Additional retained earnings were approved in the 2009-2010 First Quarter Report to fund increased litigation costs to this budget.

A few other funds had significant changes in their cash position when comparing mid-year this fiscal year to mid-year last fiscal year:

- The cash balance for Integrated County Justice Information Systems (ICJIS) has increased by $415,150 as the result of a change in the billing to user departments. The ICJIS project had historically billed user departments annually at third quarter. Departments requested that beginning in Fiscal Year 2009-2010 that charges be issued quarterly rather than annually. In addition, some depreciation costs relating to previous purchases were completed within the 2008-2009 Fiscal Year contributing to the overall reduction in expenditures over the same period one year ago;

- The cash balance for Strategic Business Technology (SBT) has increased by $680,251 as the result of savings due to staff vacancies, the receipt of funds designated for a Secure Email Gateway and the set aside of funds for Business Continuity projects to add improved server recovery capability, back-up power (generator and uninterruptible power supply), and installation of a fire suppression system in the SBT data center for the Strategic Business Technology budget;

- The cash balance for Public Works - Morgan Shop has increased by $378,047 as the result of increased vehicle rental by the Road and Bridge division; and

- A number of changes in cash occurred in the Risk Management - Self-Insurance funds including a decrease of approximately $490,326 in the Risk Management – Dental Insurance budget to fund increased claims costs, an increase of $680,251 in the Risk Management - Professional Liability budget due to lower insurance premiums, attorney fees and costs, and no settlements, and a decrease of $1.1 million in the Risk Management - Workers’ Compensation budget due to the use of retained earnings to fund the costs normally billed to departments.

In addition, in comparing mid-year to the fiscal year-end close of 2008-2009, the Internal Service Funds cash is at $36.6 million compared to $40.4 million. The primary reason for the decline in cash of $3.8 million, when compared to the previous fiscal year’s close, is a $2.6 million decrease in the Risk Management - Workers’ Compensation Self-Insurance Fund. This decrease is the result of the use of $5.1 million in retained earnings to assist in the balancing of the 2009-2010 Proposed Budget. In addition, decreased costs in the current year are attributable to increased safety awareness and reduction in claims and premium costs.

A few other funds had significant changes in their cash position when comparing mid-year this fiscal year to year-end for Fiscal Year 2008-2009:

- ♦ The cash balance for Strategic Business Technology has increased by $486,957 as the result of vacant positions. Departments that have either lost IT positions or have chosen to keep IT positions vacant have contracted with SBT to fill the technology void. By not filling the vacant positions, the departments realize long term salary savings but have some short term funding to utilize the specialized services at SBT; and

- ♦ The cash balance for the Risk Management – General Liability budget has decreased by $1.6 million as a result of the increased use of retained earnings to offset departmental charges in Fiscal Year 2009-2010.

BUDGET STRATEGY FOR FISCAL YEAR 2010-2011 AND BEYOND

As the County progresses through Fiscal Year 2009-2010, planning for Fiscal Year 2010-2011 and beyond is actively underway. A 30-month budget strategy is being developed beginning Mid-Year 2009-2010 to prepare for the projected multi-year structural shortfall in funding through June 30, 2012.

Since the Board of Supervisors adopted the Fiscal Year 2009-2010 budget in September, a review of General Fund revenue receipts indicates that sales tax, particularly from the half-cent Public Safety Sales Tax (Proposition 172), will fall short of budgeted estimates by $5.5 million due to continued declines compared to last fiscal year in Statewide sales. This marks the third straight year that this revenue source has dropped from two prior year's actuals, from $35,480,878 in Fiscal Year 2007-2008 to an estimated $25,210,000 in Fiscal Year 2009-2010. The County is seeing the same decline in the area of realignment and Vehicle License Fee revenue. In addition the State budget crisis continues with significant program cuts projected in 2010-2011. Given this information, the advance planning done for Fiscal Year 2010-2011 has become even more critical.

Even with the focused targeted reduction efforts during the last two years to reduce expenditures in response to a deteriorating economy and declining revenue through reductions-in-force, employee furloughs, maintaining vacancies and expense control through limiting overtime, travel and contract reductions, next a shortfall of $23.5 million is projected in the General Fund next fiscal year. This is after the use of $10 million in designations which includes $2 million for retirement increases. The primary cost increase to the County is the next year retirement rates projected at over $11 million for the General Fund and over $22 million County wide next year. The use of $8 million in designation is part of a three year strategy that started in Fiscal Year 2009-2010 and ends in Fiscal Year 2012-2013, to balance the budget in order to phase in a reduced level of revenue and expenses. The Fiscal Year 2009-2010 Final Budget for the General Fund is $249,898,038 which is $19,270,051 or 7% below the 2008-2009 Final General Fund Budget and $28,917,751 or 10% below the 2007-2008 Final General Fund Budget.

The County has worked throughout Fiscal Year 2008-2009, and the first half of Fiscal Year 2009-2010, to explore solutions to re-structure to allow for the alignment of revenue and expenditures including reducing labor costs, improving efficiency, finding new sources of revenues, and evaluating all services provided by the County to ensure they are part of the core mission of the County. The goal has been to take a long-term strategic approach to balancing the budget while striving to maintain core services. Service cutbacks, however, are likely inevitable given the magnitude of the budget gap.

As part of this process the Chief Executive Office held a budget workshop for all County Department Heads on October 6, 2009, to discuss options and ideas for closing the structural deficit. This meeting provided an opportunity for Department Heads to assist in identifying potential solutions and strategies to eliminate the current structural shortfall.

Department Head feedback and suggested strategies were incorporated into the development of a budget balancing strategy for 2010-2011. This information was shared with Departments Heads in December 2009 and again in January 2010, and was the focus of a Board of Supervisors Retreat on February 12, 2010. Finally, this information was shared with all unrepresented management employees on February 19, 2010. The Fiscal Year 2010-2011 strategy includes some significant changes to the County's past budget practices. These include:

- Use revenue based approach for the allocation of General Fund revenue. Preliminary revenue numbers are 8-10% below 2009-2010 allocation;

- General Fund departments to carryover a portion of net county costs savings at June 30, 2010. Revenue for expenses occurred in previous fiscal years not eligible for carryover, i.e. SB90 reimbursement;

- 5% across the board pay reductions to be negotiated with labor units;

- New retirement tiers to be negotiated with labor for new hires;

- Continuation of no back fill policy for lost State and Federal funding;

- Any General Fund fund balance generated from Discretionary Revenue or countywide budgets, at year-end June 30, 2010, will be budgeted in Appropriations for Contingencies or used for organizational wide unmet needs;

- Departments who exceed their 2009-2010 Final Budget net county cost as of June 30, 2010 must carryover any overage as an additional reduction in Fiscal Year 2010-2011;

- Any net new growth in Discretionary Revenue projections will offset the use of designations in 2010-2011, 2011-2012, and 2012-2013;

- No General Fund fund balance used in balancing; and

- No additional funding available for departmental unmet needs.

These strategies, including the revenue based allocation approach, are a significant departure from previous budgets which focused on an expense based budget process departments were funded for increased costs. This strategy will provide the best possible solution to closing the budget shortfall in 2010-

2011 and beyond and encourage and require restructuring of County budgets to match declining revenues. It is recognized that the decrease in funding may result in significant reductions to services.

As part of the continued effort to achieve a balanced budget, all strategies will be evaluated on an ongoing basis for effectiveness and long term impacts. New strategies will also continue to be evaluated.

CAPITAL IMPROVEMENT PLANNING (CIP)

The Board of Supervisors approved the Final Capital Improvement Plan (CIP) on September 15, 2009. The Stanislaus County Planning Commission has determined that the CIP was in conformance with the County's General Plan. The Final Capital Improvement Plan (CIP) for Fiscal Year 2009-2010 includes 149 capital projects totaling $2,096,950,700 in total estimated project costs. Of that total, $318,659,749 in potential funding from other Non-County sources, such as State and Federal funds, have been identified, with $633,260,581 being the portion of the estimated project costs that would be the responsibility of Stanislaus County. Funding sources for $1,145,030,370 in project costs are not yet identified for the projects listed in the Improvement Plan. Individual project approvals to proceed and project funding plans are presented to the Board of Supervisors on a project by project basis as a project moves from the planning to the implementation stage.

The Capital Improvement Plan provides a comprehensive schedule of improvements identified as the County's capital investment needs over a 20-year planning horizon. The estimated project cost and source of funds for the project are identified - in some cases by detailed project cost estimates and funding plans and in other long range projects as a rough estimate of costs. Project funding sources may not yet be known for many projects. In each case, project costs and funding are best estimates that are refined annually.

While the County has many projects in different stages of planning, four projects are the primary focus at this time:

Animal Services Facility: On January 10, 2010, the Board of Supervisors accepted the final design for the Design-Build construction of the new Animal Services Facility. The total project budget approved by the Board of Supervisors for the Design-Build construction of the new Animal Services Facility is $8,228,691. This was a substantial reduction from the original estimated Animal Services Facility project budget of $10,998,809 as a result of the recommended Design-Build construction proposal coming in lower than originally anticipated.

The facility will serve many functions for humane animal care. The new Animal Services Facility will be 33,360 square feet and serve the cities on Modesto, Ceres, Hughson, Patterson, Waterford and the unincorporated County areas.

Actual construction of the facility is anticipated to begin in March 2010 and a public dedication ceremony is planned for December 2010.

The Chief Executive Officer has negotiated, finalized and executed a Joint Powers Agreement between Stanislaus County and the cities of Modesto, Ceres, Hughson, Patterson and Waterford. Each of the cities has approved the agreement with their own respective Councils. The agreement covers cost sharing and ownership of the new facility, financing, reconciliation and operations between all parties. As of January 1, 2009 each member agency began paying their proportional share of operational costs. Member agencies will begin paying their proportional share of capitalized costs on the date of actual occupancy, or member agencies may elect to pay capitalized costs in advance of the facility's completion. The Joint Powers Agency will continue to meet to discuss operational procedures for the Animal Services Facility.

Juvenile Commitment Facility: On January 12, 2010, the Board of Supervisors approved a contract for architectural design services for the development of plans and specifications for the construction of a new 60 bed Juvenile Commitment Facility. The projected cost for the new Juvenile Commitment Facility is estimated at $24 million. In order to be eligible for the $18 million in grant funding, a minimum cash match of 5% and an in kind match no greater than 20% is required for medium sized counties. In the County's application for grant funding, the County has estimated a cash match of up to $3,599,650. Of this amount the Board of Supervisors has already approved $2,424,724 in funding for the project from two sources; $1.725 million in Public Facility Fees (PFF) and $699,724 in Youthful Offender Block Grant funds. Another $300,276 is available to transfer from the Youthful Offender Block Grant when needed for the project. The total match obligation is estimated to be $6,051,450.

Staff recommends continuing to move forward with the project even with the ongoing fiscal concerns at the State level. The financing mechanism used to fund State public works projects such as the Commitment Facility, or other public works projects such as bridges and buildings, is a blend of short term interim financing of the project using funds from the State's pooled money investment account and long term lease revenue bond financing.

The opportunity to build a facility that is so needed in our community has come at a very difficult time in County government. Even though the County is in unprecedented fiscally challenging times, the ability to construct a new $24 million 60 bed Commitment Facility with a County contribution estimated at $6 million is too significant of an opportunity for the County not to continue planning for. Fiscal assurance from the State will be required prior to proceeding construction.

Nick W. Blom Salida Regional Library Phase III Tenant and Site Improvements: In May of 2003, the County opened the Nick W. Blom Salida Regional Library. The Board of Supervisors approved the acquisition and renovation of the facility which was completed in two phases at a cost to date of $7.4 million. On October 27, 2009, the Board of Supervisors authorized the Chief Executive Office to issue a Request for Proposal (RFP) for professional architectural design services for the development of a comprehensive scope of work for Phase III tenant and site improvements at the Nick W. Blom Salida Regional Library.

The major objectives to be completed during Phase III include the following:

- Design and remodel existing staff restrooms and break room;
- Design and remodel basic improvements to a portion of the main building lobby and space designated as a future café/vendor area;
- Site improvements to include landscaping and irrigation;
- Parking Lot Improvements;
- Add Canopy at Entry Doors To Future Tenant Area;
- Repair or replacement of the HVAC System; and
- Entry Canopy.

Phase III renovations are estimated to range from $2.5 to $3 million. The project will be funded by the Library 2009 Nick W. Blom Salida Regional Library fund balance of $1.4 million and from Library Public Facility Fees (PFF) up to $1.7 million approved by the PFF Committee on November 19, 2009, however, the project is currently not yet in design and proceeding with it will be based on future recommendations to the Board of Supervisors.

Strategic Business Technology Data Center Improvements: Stanislaus County Strategic Business Technology (SBT) Department has a critical need for physical improvements to the SBT Server Room to ensure business continuity in time of emergency.

This project will include the remodeling of the County-owned space to reconfigure existing space and construct an 826 square foot server room. The facility design shall include an Uninterruptible Power Supply (UPS), HVAC Improvements, Fire Suppression system, electrical upgrade, and a backup generator with specifications that are appropriately "sized" to what will be installed in this facility. Improvements at the facility will support a greater level of safety and availability for the critical IT systems housed at the Data Center location.

On January 12, 2010, the Board of Supervisors approved to award a contract for the design and scoping phase for the Strategic Business Technology Data Center Improvements to Miller-Pezzoni and Associates, Inc. of Modesto, California. Recommendations for final scope, design and actual cost estimates will be returned to the Board of Supervisors once prior to seeking bids for construction.

Several other capital project efforts are underway and are reported to the Board of Supervisors on a regular basis for consideration and action.

A safe community

COUNTY DEPARTMENTS

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

A safe community

OVERVIEW

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

DEPARTMENTAL REVENUE AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of *A safe community* as of December 31, 2009, actual revenue collected is $20 million, which represents 44.2% of the estimated annual revenue. This is within the range when compared to the mid-year point of the prior two years when collections were at 43.7% and 46% of the final actual revenue. As of December 31, 2009, expenditures are $73.3 million, representing 46% of the budgeted appropriations. Expenditures at the mid-year point of the prior two years were 47.9% and 48.3% of the final actual expenditures, placing this year below the range.

Significant variations this year, compared to the same time period one year ago include:

- Chief Executive Office – Jail Medical - A decrease in expenditures of approximately $1 million as a result of the delay in payments to the vendor;

- Chief Executive Office – Office of Emergency Services - A decrease in expenditures of $103,000 as a result of a five percent budget reduction issued as part of the proposed budget;

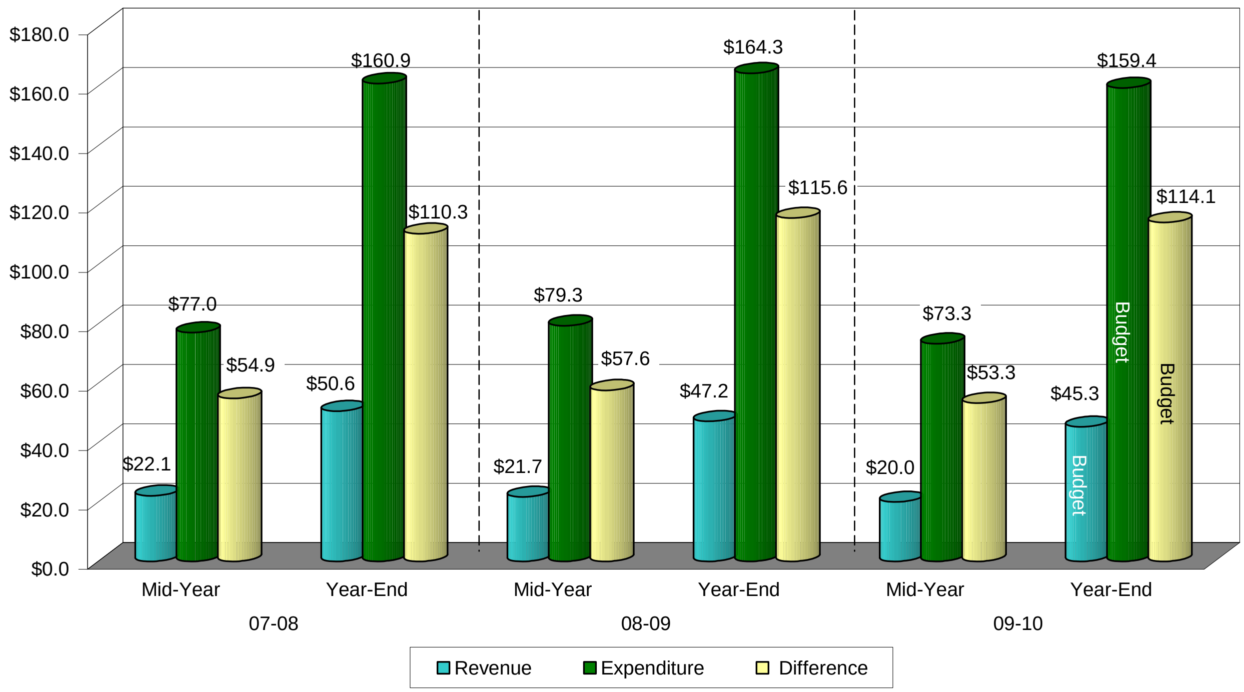
- District Attorney - A decrease in expenditures of $318,000 as a result of a five percent budget reduction issued as part of the proposed budget;

- Probation - A decrease in revenue of $888,000 in the Juvenile Justice Crime Prevention Act budget as a result of grant funding being received in four quarterly payments instead of one payment at the start of the fiscal year. In addition, Probation also experienced a reduction in expenditures of $478,000 in Casework and the Juvenile Justice Accountability Crime Prevention Act (JJCPA) budgets as a result of vacant positions in casework and decreased grant funding in JJCPA; and

- Sheriff - A decrease in revenue of $864,000 in the Detention and Ray Simon Training Center budgets are attributed to a decrease and loss of grant funding, decreased booking fee revenue in Detention and the reduction in Police Officer Standard Training (POST) academies in the Ray Simon Training Center budget. In addition the Sheriff's departments also experienced a decrease in expenditures of $4 million in the Administration, Detention, Operations, Contract Cities, Court Security, and Inmate Welfare budgets attributed to a decrease in Workers' Compensation charges, reductions in the use of extra-help employees, and salary savings from a reduction-in-force of four positions and the unfunding of positions. Additional savings were also realized in the Sheriff – Detention budget due to the closure of a 64 bed wing in the minimum housing unit at the Public Safety Center. The Ray Simon Training Center budget also saw a decrease in expenditures as the result of a reduction in the number of POST academies.

The following chart provides a comparison of revenue, expenditures and the difference between the two which is funded through a General Fund contribution and the use of fund balance/retained earnings. This comparison shows mid-year and year-end for a three year period, including the current year, for the departments assigned to the Board of Supervisors priority area of *A safe community.*

A safe community
Three Year Comparison



The total budgeted revenue for the departments assigned to the Board of Supervisors priority area of *A safe community* for Fiscal Year 2009-2010 is $45.3 million and total expenditures are budgeted at $159.4 million. The difference of $114.1 million is funded through the use of General Fund contributions and the use of fund balance/retained earnings. Both revenue and expenditures are down, with revenue collections decreasing by $1.7 million and expenditures decreasing more than three times as much at $6 million over Mid-Year 2008-2009. As a result the general fund contribution and use of fund balance/retained earnings is at 47% of the budget at mid-year and is tracking below previous years. This trend is expected to continue throughout the year.

MID-YEAR ISSUES AND RECOMMENDATIONS

CHIEF EXECUTIVE OFFICE

County Fire Service Fund: As part of the Fiscal Year 2009-2010 Final Budget, the CEO – County Fire Service Fund budget included approximately $1.2 million in estimated revenue from property taxes. The State of California's suspension of Proposition 1A has resulted in an 8% reduction to property tax revenue that was not factored into this budget. Additionally, the county-wide reduction in assessed valuation caused a significant loss in property tax revenue beyond the levels included in this budget. The Department is requesting a decrease in estimated revenue of $210,084 to reflect the change in projected property tax revenue.

On December 15, 2009, the Board of Supervisors approved a reduction-in-force of one Manager III – Safety position in the CEO – County Fire Service Fund budget effective January 16, 2010. The reduction-in-force was recommended by the Stanislaus County Fire Authority, an advisory board to the Board of Supervisors that is comprised of representatives of every fire agency in the County and makes recommendations on the expenditure of the Less Than Countywide Fire Tax. The Fire Authority also made recommendations to suspend the annual vehicle replacement allocation and the 4% inflation factor that was included in the contracts for service necessary to support the fire service on a regional basis. As a result of these actions, the Department is requesting a decrease in expenditures of $120,084, resulting in an increase of $90,000 of departmental fund balance.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
CEO - County Fire Service Fund	($120,084)	($210,084)	$90,000	Reduction in property tax revenue and service levels offset by increased use of departmental fund balance.
Total	($120,084)	($210,084)	$90,000	

Summary of Recommendations: It is recommended to decrease appropriations by $120,084 and estimated revenue by $210,084 to reflect the reduction in property taxes, resulting in an increase of departmental fund balance use of $90,000.

Criminal Justice Facilities Fund: The final budget included funding for the Public Defender's portion of the rent obligation for the building located at 1021 I Street. Based upon an analysis at mid-year, it appears that both the rent payment and the offsetting revenue are trending higher, and a technical adjustment of $1,165 is requested.

In addition, appropriations of $3,523 is requested to fund the window coverings cost for the District Attorney's 5th floor remodel that was inadvertently omitted when the project was closed out at the end of last fiscal year. There is sufficient fund balance to offset the expenditure, as the unused project funds were added to the fund's fund balance at year-end.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
Chief Executive Office - Criminal Justice Facilities Fund	$1,165	$1,165	$0	Increase appropriations and revenue to fund increase in Public Defender's rent.
Chief Executive Office - Criminal Justice Facilities Fund	$3,523	$0	$3,523	Increase appropriations to fund project cost for DA's 5th floor remodel, funded by fund balance from project close-out.
Total	$4,688	$1,165	$3,523	

Summary of Recommendations: It is recommended to increase appropriations by $4,688 and estimated revenue by $1,165 to fund the Public Defender's increased rent cost and project cost for the District Attorney's 5th floor remodel, funded by $3,523 in fund balance.

CEO-COUNTY OPERATIONS

County Court Funding: The County Court Funding budget is requesting an increase in both appropriations and estimated revenue in an amount of up to $100,000 as needed by the end of the fiscal year. This is the first full year that the State Administrative Office of the Courts (AOC) is administering all of the court operations within the County. As a result, the funding of this budget is undergoing some changes in procedures. The Hall of Records at the Modesto Main Courthouse still houses some County departments but the maintenance and utilities are the responsibility of the State AOC. The County pays the State an estimated amount at the beginning of each quarter and actual costs are reconciled and billed out by the AOC at the end of each quarter. These costs were unknown at the time of the Final Budget and most, if not all, of the costs are apportioned out to other County departments and to the local court. However, the initial local court expenditure is borne by the County Court Funding budget and then recovered from the local court as revenue. The actual maintenance and utility cost as billed by the AOC is exceeding the estimates calculated at the beginning of the year. In addition, revenue from fines and penalties is higher than originally budgeted, which ultimately will increase the maintenance of effort payment due to the State at year-end. Although expenditures are increasing, the offsetting revenue is also increasing causing no impact to the net county cost of the County Court Funding budget. Ongoing negotiations continue with the State AOC to come to lease terms for Department 16 space. This space has been occupied by the local courts with the County bearing the costs of maintenance and operation. An agreement to the lease terms would mean additional revenue to this budget.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
CEO-County Court Funding	$100,000	$100,000	$0	Increase appropriations and estimated revenue up to a maximum of $100,000 as needed for FYE to cover increased State maintenance of effort costs and Hall of Records maintenance costs.
Total	$100,000	$100,000	$0	

Summary of Recommendations: It is recommended that approval be granted for up to $100,000 in increased appropriations and estimated revenue as needed before the end of Fiscal Year 2009-2010 to cover increased State maintenance of effort costs and increased maintenance and utility costs at the Hall of Records.

DISTRICT ATTORNEY

Elder Abuse Advocacy and Outreach: This program provides advocacy and outreach for the elderly victims of crime in our community. The Advocate position funded by this program works closely with the District Attorney Special Victims Unit (SVU), which prosecutes elder abuse crimes, the Stanislaus Elder Abuse Prevention Alliance (SEAPA), and other community agencies. Due to an increase in the grant amount awarded from the California Emergency Management Agency (Cal-EMA), the District Attorney is requesting an increase of $3,688 in appropriations and estimated revenue to reflect the grant amount.

Victim Services Program: This grant provides mandated services for victims of all types of crime, including crisis intervention and peer counseling, emergency assistance, and court escorts, among others. The District Attorney is requesting an increase of $17,955 in appropriations and estimated revenue as the result of an increase in the grant amount awarded from the California Emergency Management Agency (Cal-EMA), which includes Federal funding as part of the American Recovery and Reinvestment Act (ARRA).

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
DA-Elder Abuse	$3,688	$3,688	$0	Increase appropriations and estimated revenue to reflect increased grant award.
DA-Victim Services	$17,955	$17,955	$0	Increase appropriations and estimated revenue to reflect increased grant award.
Total	$21,643	$21,643	$0	

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue by $21,643 to reflect increased grant awards for these programs.

SHERIFF

The Sheriff has requested that the Auditor-Controller and the Chief Executive Officer be given the authority to process future Department requests to transfer appropriations among the four budgets of Administration, Detention, Operations and the Ray Simon Training Center in order to ensure these budgets end the year in a positive position. It is recommended that this request be granted.

Administration: The Department is requesting to transfer $21,000 in appropriations from Services and Supplies to Fixed Assets. This transfer is necessary to properly account for the purchase of a fax server in the Information Technology division. It is recommended that this technical adjustment request be approved.

Contract Cities: In order to properly account for the leasing and equipping of patrol vehicles in the cities of Riverbank and Patterson, the Sheriff's Department is requesting appropriations transfers among several accounts. A net increase of $16,281 in Fixed Asset appropriations is necessary to appropriately classify the cost to equip three patrol vehicles for Riverbank and one vehicle for Patterson. An increase of $7,247 in Services and Supplies is needed to correctly classify the capital lease reduction cost. These increases would be offset by a decrease of $23,528 in Other Charges appropriations. It is recommended that these appropriations transfers be approved.

Discussions have been ongoing with the City of Waterford over the past year concerning the Contract Cities fund balance held by the County. The Sheriff has been providing police services for the incorporated cities of Hughson, Patterson, Riverbank and Waterford beginning in the late 1990's and early 2000's through negotiated contracts. Services were provided at an agreed upon contracted cost. A separate Contract Cities fund was established in an effort to separate the costs of these services from the costs of providing law enforcement services to the unincorporated areas. Over the years a balance built up in the Contract Cities fund. This fund balance was periodically drawn upon to purchase items for the Sheriff's Department that would mutually benefit the four cities under contract. The City of Waterford began to question this fund balance and challenged the purchases made by the Department. A reconciliation was completed by the Department in 2008 in an attempt to identify how much each city had contributed to this fund balance under contract and what the actual cost of service was for each city. This reconciliation split out the fund balance among the cities. Not taken into account with the reconciliation was the probability that all services provided to the cities over the years by the Sheriff's Department may not have been charged to the Contract Cities fund, leaving some costs as County General Fund expenditures. The current fund balance in the Contract Cities fund is $380,923 which is less than the City of Waterford contends is their portion. An informal agreement was reached by the City of Waterford, the Sheriff and the Chief Executive Officer to return $445,818 to the City, closing out the Contract Cities fund with the additional payment of $64,895 coming from the portion of the Tobacco Settlement funds that were designated in Fiscal Year 2000-2001 for the Waterford Community Center. This transfer of funds will occur through County Match. It is recommended to approve this transaction with the City of Waterford.

<u>California Identification Program (CAL-ID):</u> The Department is requesting an increase of $104,565 in appropriations to be offset by an increase of $863 in interest income and $41,495 for the sale of fixed assets and the remainder of $62,207 to come from existing fund balance. The use of Cal-ID funds was approved on December 7, 2009, by the Remote Access Network (RAN) board which is made up of law enforcement officials from agencies within Stanislaus County. An increase of $73,500 in Fixed Assets appropriations is requested to fund a $40,000 Data Synchronization and Archive System and to properly classify additional fingerprint equipment that was obtained through a trade-in. The trade-in was transacted with Cogent Systems, the supplier of our LiveScan fingerprint equipment, and included the trade-in of a server that was no longer needed. An increase of $31,065 to Services and Supplies appropriations is requested to pay for all maintenance contracts necessary for the LiveScan fingerprint systems for the current fiscal year and to properly classify fingerprint equipment obtained through the trade-in with Cogent. Estimated income from interest earnings will increase by $863 and estimated revenue for the Sale of Fixed Assets will increase by $41,495 as a result of the trade-in with Cogent.

It is recommended that the $104,565 increase to the various appropriations categories and the increase of $863 to interest income and $41,495 to the sale of fixed assets revenue be approved with the remaining costs of $62,207 funded by existing fund balance. This program is fully funded by a dedicated revenue source ($1.00 vehicle registration fee assessment by the State) which was approved by the Board of Supervisors in 1998.

<u>Operations:</u> The Department is requesting an increase of $111,478 in Fixed Asset appropriations to be offset by increases of $50,978 in estimated revenue and a transfer of $60,500 from Other Charges appropriations. Two patrol vehicles that were totaled will be replaced at a cost of $50,978 and funded with revenue from the sale of the totaled vehicles and revenue received from insurance reimbursements which is transferred to the Sheriff's budget from Risk Management. Additionally, $60,500 is needed to equip new patrol vehicles that have been leased this fiscal year to replace aging vehicles in the fleet. This

replacement is done on an annual basis as suggested by Fleet Services in order to remove vehicles from the patrol rotation with greater than 100,000 miles. It is recommended that the increases to appropriations and estimated revenue and the transfer of appropriations be approved.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
SO-Administration	$21,000	$0	$21,000	Transfer to Fixed Assets from Services and Supplies for the purchase of fax server.
SO-Administration	($21,000)	$0	($21,000)	Transfer from Services and Supplies to Fixed Assets for the purchase of fax server.
SO-Contract Cities	$16,281	$0	$16,281	Increase Fixed Assets appropriations to equip patrol vehicles.
SO-Contract Cities	$7,247	$0	$7,247	Increase Services and Supplies appropriations for capital lease reduction costs.
SO-Contract Cities	($23,528)	$0	($23,528)	Decrease Other Charges appropriations to offset appropriations increases.
SO-Contract Cities	$380,923	$0	$380,923	Increase Services and Supplies appropriations for payment to the City of Waterford to close out Contract Cities fund balance.
SO-Operations	$111,478	$0	$111,478	Increase Fixed Assets appropriations to replace two totaled patrol vehicles and to equip leased patrol vehicles.
SO-Operations	($60,500)	$0	($60,500)	Transfer Other Charges appropriations to Fixed Assets to offset the cost to equip leased patrol vehicles.
SO-Operations	$0	$50,978	($50,978)	Increase Miscellaneous Revenue and Other Financing Sources for insurance reimbursement of totaled vehicles.
SO-Cal-ID Program	$73,500	$0	$73,500	Increase Fixed Assets appropriations to purchase a Data Synchronization system and to correctly classify the exchange of equipment.
SO-Cal-ID Program	$31,065	$0	$31,065	Increase Services and Supplies appropriations for maintenance contracts and computer equipment.
SO-Cal-ID Program	$0	$863	($863)	Increase Interest Income estimated revenue.
SO-Cal-ID Program	$0	$41,495	($41,495)	Increase Miscellaneous Revenue as a result of the trade-in of computer server to Cogent Systems.
Total	$536,466	$93,336	$443,130	

Summary of Recommendations: It is recommended that $536,466 in increased appropriations be approved and funded by increased revenue of $93,336 and $62,207 from the Cal-ID fund balance and $380,923 in Contract Cities fund balance. The increases in appropriations fund the replacement of totaled patrol vehicles and LiveScan fingerprint equipment. It is further recommended that the Auditor-Controller and the Chief Executive Officer be given the authority to process future Department requests to transfer appropriations among the four budgets of Administration, Detention, Operations and the Ray Simon Training Center. Finally, it is recommended that $380,923 of the Contract Cities Fund Balance and $64,895 of the Tobacco Settlement fund designation be used to pay the City of Waterford for disputed contract charges. The Tobacco Settlement portion will be transferred to and subsequently paid from County Match.

SUMMARY

Overall, appropriations and estimated revenue for *A safe community* are recommended to increase by $542,713 and $6,060 respectively. This is funded by $90,835 of departmental fund balance, $380,923 of Contract Cities fund balance, $64,895 of the Tobacco Settlement fund designation be used to pay the City of Waterford for disputed contract charges.

A healthy community

COUNTY DEPARTMENTS

Area Agency on Aging/Veterans' Services
Behavioral Health and Recovery Services
Child Support Services
Children and Families Commission
Community Services Agency
Health Services Agency

A healthy community

OVERVIEW

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

DEPARTMENTAL REVENUE AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of *A healthy community* as of December 31, 2009, actual revenue is $167.2 million, which represents 34.8% of the estimated annual revenue. This is below the range when compared to the mid-year point of the prior two years when collections were 37.7% and 36.6% of the final actual revenue. As of December 31, 2009, expenditures are $196.9 million, representing 40.4% of the budgeted appropriations. Expenditures at the mid-year point of the two prior years were 43.2% and 44.5% of the final annual expenditures, placing this year's expenditures below the range.

Significant variations this year, compared to the same time period one year ago include:

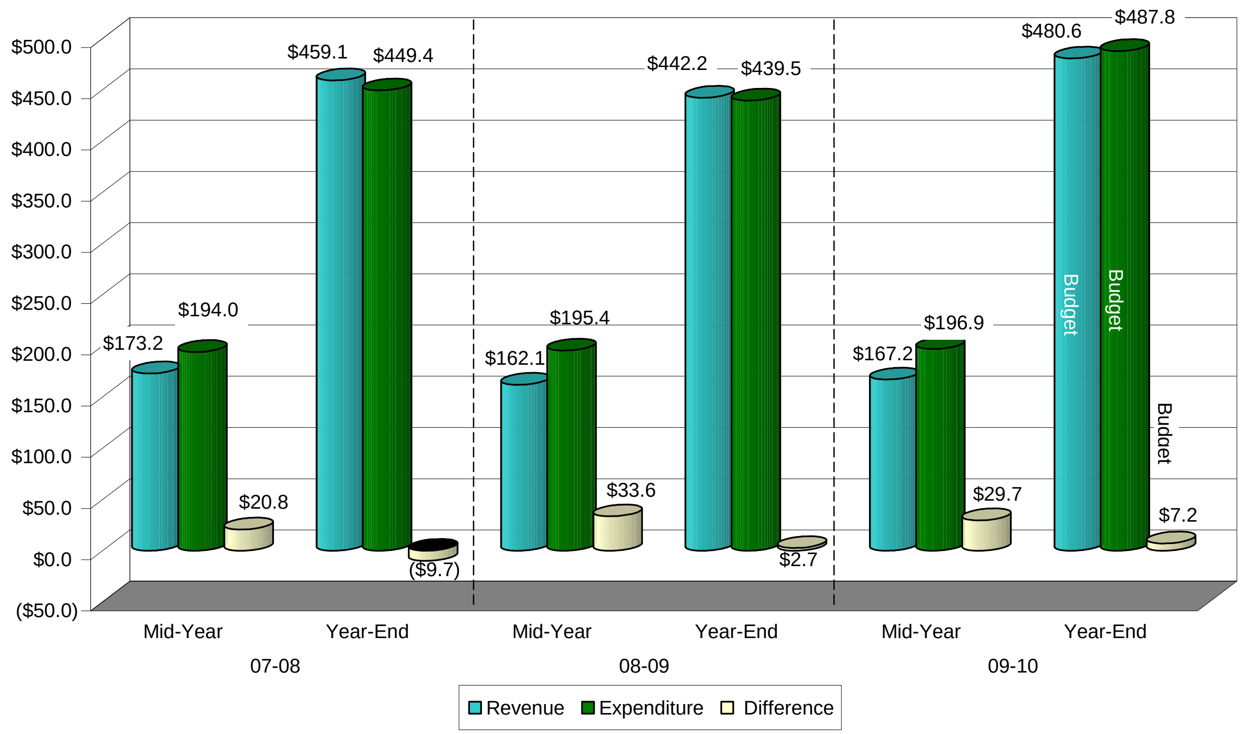
- Behavioral Health and Recovery Services – An increase in revenue of $6.3 million primarily as a result of the implementation of the Prevention and Early Intervention (PEI) component, an increase in the Community Services and Support (CSS) allocation, and an increase in expenditures of $1.8 million as a result of the start-up of the PEI component;

- Community Services Agency – A decrease in revenue of $1.1 million primarily as a result of a reduction in State and Federal reimbursements due to declining expenses, and a decrease in expenditures of $1.2 million primarily as a result of budgeted reduction in staff and operating costs associated with an eight day Agency-wide furlough and fewer staff on payroll; and

- Health Services Agency – An increase in expenditures of $1.7 million primarily as a result of increased costs associated with the expected implementation of the new Electronic Medical Records and the Integrated Behavioral Health program.

The following chart provides a comparison of revenue, expenditures and the difference between the two which is funded through the use of fund balance/retained earnings. This comparison shows mid-year and year-end for a three year period, including the current year, for the departments assigned to the Board of Supervisors priority area of *A healthy community*.

A healthy community
Three Year Comparison



The total budgeted revenue funding for the departments assigned to the Board of Supervisors priority area of *A healthy community* for Fiscal Year 2009-2010 is $480.6 million with departmental expenditures budgeted at $487.8 million and the difference of $7.2 million funded through fund balance/retained earnings. Both revenue and expenditures are up, with revenue collections increasing by $5.1 million and expenditures increasing by $1.5 million over Mid-Year 2008-2009.

<u>MID-YEAR ISSUES AND RECOMMENDATIONS</u>

AREA AGENCY ON AGING

The Department of Aging and Veterans' Services mission is to help seniors and veterans obtain the services and benefits they need to live secure, healthy and independent lives. As funding changes in these uncertain economic times, the Department remains focused to ensure that seniors, caregivers, disabled persons and veterans can continue to maintain the best quality of life through case management services, assistance and referrals, and community outreach.

Area Agency on Aging: As part of the Mid-Year Financial Report, the Department is requesting to increase appropriations and estimated revenue $220,454 due to increases in Federal Older Americans Act funding for senior services and programs, including direct service provider contracts for seniors programs in the community.

Additionally, as part of the 2009-2010 Proposed Budget, the Area Agency on Aging (AAA) renegotiated the lease terms for the leased space occupied and shared by both the Area Agency on Aging and Veterans' Services, resulting in a lease savings of $25,000. At that time, the Board of Supervisors approved a transfer of expenditures up to $25,000 to this budget to fund Salaries and Services and Supplies in AAA - Veterans' Services. Subsequently, staff from Area Agency on Aging has now determined that the recommendation approved by the Board of Supervisors may result in an audit disallowance by the California Department of Aging (CDA) since the activities and corresponding staff were not initially included in the budget that was submitted.

As such, the Department is requesting to decrease appropriations and revenue by $24,161 of County Match, with a corresponding transfer to the Veterans' Services budget, resulting in no net impact to the General Fund. Additionally, the Area Agency on Aging is requesting Board of Supervisors approval to transfer fund balance of $8,195 to Veterans' Services for staff providing major services and support. With the Board of Supervisor's approval of these actions, the AAA is anticipated to end the year within legal budget.

Veterans' Services: As part of the 2009-2010 Mid-Year Financial Report, AAA - Veterans' Services is requesting to increase appropriations by $32,356 and estimated revenue by $8,195. While this results in an increased net county cost of $24,161, the funds are provided by the decrease to County Match by Area Agency on Aging, for no additional impact to the County General Fund.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
Area Agency on Aging	$220,454	$220,454	$0	Increase in appropriations and revenue from Federal Older Americans Act funding for senior services and programs.
Area Agency on Aging	$8,195	$0	$8,195	Transfer fund balance of $8,195 to AAA Veterans' Services for staff providing major services and support.
Area Agency on Aging	($24,161)	($24,161)	$0	Decrease appropriations and revenue by $24,161 through County Match due to decreased rent expenses and transfer to the Veterans' Services budget.
Area Agency on Aging-Veterans' Services	$32,356	$8,195	$24,161	Increase appropriations and revenue through transfer of County Match and department fund balance for Salaries and Benefits.
Total	$236,844	$204,488	$32,356	

Summary of Recommendations: It is recommended to increase appropriations by $236,844 and estimated revenue by $204,488, resulting in an increase in the use of departmental fund balance by $8,195 and $24,161 of AAA's County Match due to additional Federal funding for senior services and transfers between operating budget for salaries and benefits costs.

BEHAVIORAL HEALTH AND RECOVERY SERVICES

As part of the Fiscal Year 2009-2010 Final Budget, Behavioral Health and Recovery Services (BHRS) contracted with the Community Services Agency for services provided by the Center for Human Services for the Kinship Guardianship Program. At this time, final State allocations have been received and as a result, the Department is requesting to decrease appropriations and estimated revenue by $23,000 to reflect the final State allocations to this program. Additionally, the Department is requesting to decrease appropriations by $11,067 to reflect costs associated with the relocation of various departmental support functions from Stanislaus Recovery Center to the main Scenic campus. Finally, the Department is requesting a decrease in appropriations of $12,080 for overhead charges associated with the Justice Assistance Grant in the BHRS – Alcohol and Drug Program budget.

Alcohol and Drug Program: The Department is requesting an increase in appropriations of $13,420 for costs associated with the relocation of the prevention program from the main Scenic campus to Stanislaus Recovery Center. The Department has been awarded funding under the Federal Justice Assistance Grant to augment the existing Substance Abuse Offender Treatment Program. The Department is requesting to increase appropriations and estimated revenue by $260,991 to recognize partial year funding from the Justice Assistance Grant. It is requested to increase appropriations and estimated revenue by $1,080 to align the Adult Drug Court budget with the final grant award, and to increase appropriations and estimated revenue by $21,551 to align the Offender Treatment Program budget with the final grant award. Finally, the Department is requesting to decrease appropriations by $30,096 to eliminate appropriations carried forward from Fiscal Year 2008-2009 that are no longer required for consultation and educational purposes.

Mental Health Services Act (MHSA): The Fiscal Year 2009-2010 Final Budget included $7,845,800 for the implementation of the Prevention and Early Invention (PEI) component of MHSA. A Request for Proposal (RFP) process for award of these funds is underway in the Department; however, it is anticipated that final award of many of the start-up project contracts will not occur until the 2010-2011 Fiscal Year. At this time, the Department is requesting to decrease appropriations and estimated revenue by $4,948,874 to place the PEI funding into deferred revenue for use in Fiscal Year 2010-2011.

Stanislaus Recovery Center: The Department is requesting a decrease in appropriations of $51,480 to reflect charges applied to other budgets for programs physically located at Stanislaus Recovery Center. It is also requested to increase appropriations by $36,000 for extra-help staff to provide treatment services for the Justice Assistance Grant program. Additionally, the Department is requesting a decrease in appropriations of $195,465 for treatment services for the Justice Assistance Grant in the BHRS – Alcohol and Drug Program budget. It is also requested to increase appropriations by $238,009 for treatment services in the Offender Treatment Program in the BHRS – Alcohol and Drug Program budget. Finally, the Department is requesting to increase appropriations by $11,067 for costs associated with the relocation of various departmental support functions from Stanislaus Recovery Center to the main Scenic campus.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
Behavioral Health and Recovery Services	($23,000)	($23,000)	$0	Reduction in Kinship Guardianship program contract costs associated with Community Services Agency and Center for Human Services.
Behavioral Health and Recovery Services	($11,067)	$0	($11,067)	Reduction in intrafund transfers associated with the relocation of various departmental support functions from Stanislaus Recovery Center to the main Scenic campus.
Behavioral Health and Recovery Services	($12,080)	$0	($12,080)	Reduction in intrafund transfers to reflect overhead charged to Justice Assistance Grant.
BHRS - Alcohol and Drug Program	$13,420	$0	$13,420	Relocation of the prevention program from the main Scenic campus to Stanislaus Recovery Center.
BHRS - Alcohol and Drug Program	$260,991	$260,991	$0	Partial year funding for the Justice Assistance Grant for the Substance Abuse Offender Treatment Program.
BHRS - Alcohol and Drug Program	$1,080	$1,080	$0	Align budget with Adult Drug Court final grant award.
BHRS - Alcohol and Drug Program	$21,551	$21,551	$0	Align budget with Offender Treatment Program final grant award.
BHRS - Alcohol and Drug Program	($30,096)	$0	($30,096)	Elimination of prior year appropriations that are no longer required for consultation and educational purposes.
BHRS - Mental Health Services Act	($4,948,874)	($4,948,874)	$0	Transfer funds into deferred revenue to reflect late start-up of Prevention and Early Intervention (PEI) programs.
BHRS - Stanislaus Recovery Center	($51,480)	$0	($51,480)	Reduction in intrafund transfers to reflect charges applied to other budgets for programs physically located at Stanislaus Recovery Center.
BHRS - Stanislaus Recovery Center	$36,000	$0	$36,000	Increase for extra-help staff to provide treatment services for the Justice Assistance Grant program.
BHRS - Stanislaus Recovery Center	($195,465)	$0	($195,465)	Reduction in intrafund transfers for treatment services for the Justice Assistance Grant program.
BHRS - Stanislaus Recovery Center	$238,009	$0	$238,009	Increase in intrafund transfers for treatment services in the Offender Treatment Program.
BHRS - Stanislaus Recovery Center	$11,067	$0	$11,067	Increase in intrafund transfers associated with the relocation of various departmental support functions from Stanislaus Recovery Center to the main Scenic campus.
Total	($4,689,944)	($4,688,252)	($1,692)	

Summary of Staffing Requests & Recommendations: In order to better reflect the current fiscal position and operational needs, the Department is requesting staffing recommendations as reflected in the table below.

BEHAVIORAL HEALTH & RECOVERY SERVICES STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Behavioral Health Services	-3	Mental Health Clinician II	Transfer out	Integrated Behavioral Health System	Transfer to Health Services Agency
Managed Care	-1	Mental Health Clinician II	Transfer out	Integrated Behavioral Health System	Transfer to Health Services Agency
BHRS CHANGES	-4				
BEGINNING ALLOCATION	356				
CHANGES IN ALLOCATION	-4				
ENDING ALLOCATION	352				

Summary of Recommendations: It is recommended to decrease appropriations by $4,689,944 and estimated revenue by $4,688,252, decreasing the use of departmental fund balance by $1,692 due to the timing and administration of programs. The recommended changes in staffing are outlined in the staffing table above.

CHILD SUPPORT SERVICES

The Fiscal Year 2009-2010 Final Budget included $16,100,137 for the Department of Child Support Services budget, funded from departmental revenue of $15,812,663, and $287,474 in department fund balance.

As part of the Mid-Year Financial Report, the Department is requesting to decrease appropriations by $172,356 as a result of salary savings due to vacated positions and reduced retirement and health care costs. The Department is also requesting to decrease estimated revenue by $89,463 to accurately reflect the final State allocation amount and reduced interest income, resulting in a decrease in the use of departmental fund balance of $82,893.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
Child Support Services	($172,356)	($89,463)	($82,893)	Decrease salaries and benefits for vacated positions and reduced retirement and health care costs, decreased revenue due to final State allocation; resulting in a decrease in the use of department fund balance
Total	($172,356)	($89,463)	($82,893)	

Summary of Staffing Requests & Recommendations: In order to better reflect the current fiscal position, the Department is requesting staffing recommendations as reflected in the table below.

CHILD SUPPORT SERVICES STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Child Support Services	-1	Manager IV	Delete position	Cost-cutting strategy	Delete position
Child Support Services	-1	Legal Clerk III	Delete position	Cost-cutting strategy	Delete position
CHILD SUPPORT CHANGES	-2				
BEGINNING ALLOCATION	176				
CHANGES IN ALLOCATION	-2				
ENDING ALLOCATION	174				

Summary of Recommendations: It is recommended to decrease appropriations by $172,356 and to decrease estimated revenue by $89,463, resulting in a decreased use of $82,893 of department fund balance for the remainder of the 2009-2010 Fiscal Year due to salary savings from vacated positions. The recommended changes in staffing are outlined in the staffing table above.

COMMUNITY SERVICES AGENCY

The Community Services Agency (CSA) is requesting the establishment of a new legal budget, CSA IHSS Provider Wages, to provide transparency in the budgeting and accounting for the In-Home Supportive Services (IHSS) program. Appropriations, estimated revenue, County General Fund and realignment attributed to IHSS Provider Wages will be removed from the CSA Services and Support budget and established in the new IHSS Provider Wages budget as part of this mid-year submission.

The Agency has completed a thorough review of its realignment revenue and has included a request to make a one-time adjustment in the allocation of these funds to the programs and budget which have earned realignment since 1990. This one-time base equity correction of realignment funds is offset with a request for equal adjustments to the General Fund Match with no net impact to the County General Fund.

Realignment is a significant source of funding that helps to offset the cost to the General Fund for mandated County Match. At mid-year, the Agency is reducing its estimated realignment revenue by $644,331 which represents the shortfall in actual receipts through October 2009, for a total projection of $12,089,485. At this reduced level, realignment revenue provides approximately 52.8% of the mandated County share of CSA programs. Based on prior year trends, the potential for a realignment funding shortfall of an additional $1.3 million exists. The Agency will work closely with the Chief Executive Office and other Healthy Community Departments to identify the actual exposure to the priority group and report back to the Board of Supervisors at third quarter with updated projections and strategies to balance the current year budget.

The Agency anticipated the ability to balance the current General Fund commitment against the mandated County share of its programs through the use of one-time fund balance of $1.2 million across all CSA budgets. In addition, the Agency continues to benefit from the American Recovery and Reinvestment Act (ARRA) of 2009 which provided stimulus funding through increased Federal Medicaid Assistance Percentage (FMAP) contributing approximately $2.9 million in savings to the local County share obligation for Fiscal Year 2009-2010.

<u>Program Services and Support:</u> At mid-year, the Agency requests to establish a new legal budget (fund 1642), entitled CSA IHSS Provider Wages, to provide transparency in the budgeting and accounting for the In-Home Supportive Services (IHSS) program. Appropriations of $55,563,720 and estimated Federal/State revenues of $47,976,161 attributed to IHSS wages will be moved from the CSA – Services and Support budget and established in the new budget CSA IHSS Provider Wages as part of this mid-year budget process.

The Agency is making a one-time correction in the allocation of realignment revenue that requires the redirection of funding to the programs and budgets which have earned realignment since 1990. This one-time base equity adjustment along with the establishment of realignment in the Public Authority (PA) Benefits Administration budget and the new IHSS Provider Wages budget results in a net decrease in realignment of $7,000,532: $1,534,757 to Public Economic Assistance, $300,482 to PA Benefits and $5,165,293 to IHSS Provider Wages. In addition, a decrease of $86,063 has been factored due to the base shortfall projected in realignment sales tax revenue consistent with current year receipts. The shortfall of realignment will require the Agency use all remaining fund balance in order to meet local share requirements.

As a result of both the realignment review and establishment of a new budget, the Agency is requesting an overall decrease of $991,485 in General Fund Match: a decrease of $2,147,541 to accurately record local match requirements IHSS Provider Wages, a decrease of $99,162 for PA Benefits match requirements and an increase of $1,255,218 in General Fund Match resulting from the realignment base equity adjustment which balances General Fund across other CSA budgets with no bottom line impact.

The Agency requests an increase in estimated revenue of $216,706 in enhanced Federal funds for Children's Programs resulting from an increase in the number of children meeting eligibility requirements which increases Federal reimbursement. Additionally, an estimated revenue decrease of $54,831 from the County Children's Fund budget is requested to meet actual approved contract levels in Children's programs.

The Agency requests to restore 11 previously unfunded positions and to unfund one vacant position at the mid-year point. At first quarter, CSA was authorized to use 29 extra-help positions to meet caseload demands in the Medi-Cal program. This need is ongoing and recognized with a dedicated 100% funded Medi-Cal funding stream. At mid-year, the Agency requests to restore 9 unfunded casework positions and 2 clerical support positions. CSA will continue to use existing extra-help staff and leave these authorized positions available as landing pads for displaced County employees impacted in potential future County budget reductions.

Public Economic Assistance: In recognition of an on-going increase in the Transitional Housing Program (THP-Plus) State allocation through June 2010, the Agency is requesting an increase in appropriations and estimated revenue of $102,376. This funding augmentation will support participation of an additional five former foster youth in the My-Home Model/Scattered Site housing program. THP-Plus is 100% State funded and there is no impact to the County General Fund.

The Agency is requesting to increase estimated revenues by $1,255,218 as a result of the Agency's thorough review of realignment revenue. (The one-time adjustment for Public Economic Assistance of $1,534,757 is reduced in recognition of a realignment base shortfall in the current year of $279,539.) Additionally, the Agency is requesting a reduction in estimated revenue of $2,239 from the Services and Support budget, resulting in the use of departmental fund balance to assist the Agency in balancing other revenue shortfalls without negative impact to the General Fund.

As a result of the increase in realignment revenue, the Agency is requesting a decrease in General Fund Match $1,255,218, which will be moved into the Services and Support budget with no additional impact to the General Fund.

Seriously Emotional Disturbed Children (SED): Caseloads in this entitlement program have declined from the original projection. This trend is due to the on-going partnership between Behavioral Health and Recovery Services (BHRS) and CSA which focuses on implementing best-practice case management strategies through the placement system to meet the health and safety needs of the family and the youth thus reducing the need for placement in residential treatment facilities. The Agency is requesting a decrease in appropriations of $236,232 to align with the recent trends to support services through June 30, 2010.

The Agency is requesting an overall decrease in estimated revenue of $236,232. The SED program is an open-ended State entitlement program with a 40% State share, which is requested to be reduced $94,492 consistent with expenditure levels. BHRS and CSA share in financing the unmet local match need which is reduced by a total of $141,740; each Department's individual contribution is reduced by $70,870.

County Children's Fund: The Agency is requesting a decrease in appropriations of $54,871 as a result of the reduced actual approved contract levels and a reduced designation to support the child and family services program contracts in the Services and Support budget. At mid-year, the Agency is estimating an available fund balance of $54,871 at year-end to roll forward for use in Fiscal Year 2010-2011 child abuse prevention programs.

IHSS Public Authority – Benefits Administration: The Agency is not requesting any appropriations changes to the budget level of $3,544,820. Adjustments are requested in estimated revenue to establish realignment revenue and County General Fund Match in support of PA Benefits Administration, previously accounted for in the CSA – Services and Support budget.

General Fund Match of $99,162 and realignment revenue of $285,159 are established within this budget unit to accurately record local match requirements for IHSS Provider benefits. This includes a one-time adjustment for PA – Benefits Administration of $300,482 in recognition of a realignment base shortfall in the current year of $15,323. Additionally, a decrease in estimated revenue of $384,321 from Operating Transfers In of one-time revenues from Services and Support is requested to balance this budget.

IHSS Provider Wages: The Agency is requesting to establish a new budget, CSA IHSS Provider Wages, to provide transparency in the budgeting and accounting for the IHSS program. Although expenditures and estimated revenue will be recorded in a new budget, there will be no change to IHSS wages from the Legal Budget, currently included in CSA – Services and Support budget. The Agency requests the establishment of $55,563,720 in appropriations and $47,976,161 in Federal/State estimated revenue. The IHSS program is mandated to provide in-home services to frail and/or elderly individuals, allowing the approximately 6,100 customers to remain safely in their own home.

General Fund Match of $2,147,541 and realignment revenue of $4,901,887 are also requested within this budget to accurately record local match requirements for IHSS Provider Wages. The requested realignment revenue includes a decrease of $263,406 due to the base shortfall in realignment revenue based on current year receipts. Finally, an operating transfer in of one-time revenue from the CSA – Services and Support budget of $538,131 is requested to balance this budget.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
CSA - Services and Support	($55,563,720)	($47,976,161)	($7,587,559)	Decrease appropriations and estimated revenues for IHSS provider wages and establish in a new budget.
CSA - Services and Support	$0	($1,534,757)	$1,534,757	Decrease realignment revenue due to base equity adjustment for Public Economic Assistance budget.
CSA - Services and Support	$0	($300,482)	$300,482	Decrease realignment revenue and establish in PA Benefits budget.
CSA - Services and Support	$0	($5,165,293)	$5,165,293	Decrease realignment revenue and establish in IHSS Provider Wages budget.
CSA - Services and Support	$0	($86,063)	$86,063	Decrease realignment revenue due to base shorfall.
CSA - Services and Support	$0	($99,162)	$99,162	Decrease General Fund Match to account for PA Benefits budget County Match.
CSA - Services and Support	$0	($2,147,541)	$2,147,541	Decrease General Fund Match to account for IHSS Provider Wages budget County Match.
CSA - Services and Support	$0	$1,255,218	($1,255,218)	Increase General Fund Match as a result of the realignment base equity adjustment for Public Economic Assistance budget.
CSA - Services and Support	$0	$216,706	($216,706)	Increase CWS Federal revenue to account for decreased Non-Fed percentage factor that discounts CWS costs subject to Federal reimbursement.
CSA - Services and Support	$0	($54,831)	$54,831	Decrease operating transfer in from County Childrens Fund budget to reflect actual approved contract levels in Children's programs.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
CSA - Public Economic Assistance	$102,376	$102,376	$0	Increase appropriations and estimated revenue for Transitional Housing Plus (THP+).
CSA - Public Economic Assistance	$0	$1,255,218	($1,255,218)	Increase in realignment revenue due to base equity adjustment.
CSA - Public Economic Assistance	$0	($1,255,218)	$1,255,218	Decrease to General Fund Match to align with realignment Increase.
CSA - Public Economic Assistance	$0	($2,239)	$2,239	Decrease transfer in from Services and Support budget.
CSA - Seriously Emotional Disturbed Children	($236,232)	($94,492)	($141,740)	Decrease in appropriations and State revenue to reflect decrease in caseload growth.
CSA - Seriously Emotional Disturbed Children	$0	($70,870)	$70,870	Decrease in BHRS revenue due to a decrease in SED caseloads.
CSA - Seriously Emotional Disturbed Children	$0	($70,870)	$70,870	Decrease in transfer in from Services and Support budget due to a decrease in SED caseloads.
CSA - County Childrens Fund	($54,871)	$0	($54,871)	Reduction in actual approved contracts and reduced designation to support Children's program contracts in Services and Support budget.
CSA - Public Authority Benefits Administration	$0	$285,159	($285,159)	Establish realignment revenue for PA Benefits
CSA - Public Authority Benefits Administration	$0	$99,162	($99,162)	Establish General Fund Match for PA Benefits.
CSA - Public Authority Benefits Administration	$0	($384,321)	$384,321	Decrease operating transfer in from Services and Support.
CSA - IHSS Provider Wages	$55,563,720	$47,976,161	$7,587,559	Establish IHSS Provider Wages and Federal and State revenues.
CSA - IHSS Provider Wages	$0	$4,901,887	($4,901,887)	Establish realignment revenue for IHSS Provider Wages.
CSA - IHSS Provider Wages	$0	$2,147,541	($2,147,541)	Establish General Fund Match for IHSS Provider Wages.
CSA - IHSS Provider Wages	$0	$538,131	($538,131)	Establish operating transfer in from Services and Support.
Total	($188,727)	($464,741)	$276,014	

Summary of Staffing Requests & Recommendations: In order to better reflect the current fiscal position, the Department is requesting staffing recommendations as reflected in the table below.

COMMUNITY SERVICES AGENCY STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Services and Support	9	Family Services Specialist II	Restore unfunded positions	Medi-cal funding available	Restore vacant position
Services and Support	2	Administrative Clerk II	Restore unfunded positions	Medi-cal funding available	Restore vacant position
Services and Support	-1	Family Services Specialist III	Unfund vacancy	Revenue loss	Unfund vacant position
CSA CHANGES	10				
BEGINNING ALLOCATION	849				
CHANGES IN ALLOCATION	10				
ENDING ALLOCATION	859				

Summary of Recommendations: It is recommended to decrease appropriations by $188,727 and estimated revenue by $464,741, increasing the use of departmental fund balance by $276,014 as a result of the creation of a new budget for CSA IHSS Provider Wages. The recommended changes in staffing are outlined in the staffing table above.

HEALTH SERVICES AGENCY

Indigent Health Care Program: As part of the Fiscal Year 2009-2010 Final Budget the Health Services Agency – Indigent Health Care Program budget included estimated realignment revenue of $10.7 million, which reflected a decrease of approximately 7% from the 2008-2009 Final Budget estimates. At this time, the Department is requesting to decrease estimated revenue by $645,356 as a result of a further decline in realignment revenue from sales tax and vehicle license fees. The Department has sufficient fund balance available to ensure the budget remains balanced at year-end.

Public Health – Local Preparedness: On October 27, 2009 the Board of Supervisors authorized the Public Health – Local Preparedness budget to be decreased by $884,500 and for those State and Federal funds to be appropriately established in four new budgets according to program guidance received from the State. Currently, the Local Preparedness budget includes $130,000 in expenditures as transfers out to the main Public Health budget for operating expenses. At this time the funding associated with this budget has ended and the Department is requesting to increase appropriations by $524,609 to fully use available fund balance in anticipation of closing this budget in the 2010-2011 Proposed Budget.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
Health Services Agency - Indigent Health Care Program	$0	($645,356)	$645,356	Increased use of departmental fund balance to offset realignment revenue shortfall.
Health Services Agency - Public Health Local Preparedness	$524,609	$0	$524,609	Transfer remaining fund balance to Public Health budget for operating costs associated with Local Preparedness.
Total	$524,609	($645,356)	$1,169,965	

Summary of Staffing Requests & Recommendations: In order to better reflect operational needs, the Department is requesting staffing recommendations as reflected in the table below.

HEALTH SERVICES AGENCY STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Clinics & Ancillary	4	Mental Health Clinician II	Transfer in	Integrated Behavioral Health System	Transfer from BHRS
HSA CHANGES	4				
BEGINNING ALLOCATION	542				
CHANGES IN ALLOCATION	4				
ENDING ALLOCATION	546				

Summary of Recommendations: It is recommended to increase appropriations by $524,609 and to decrease estimated revenue by $645,356, increasing the use of departmental fund balance by $1,169,965 due to reductions in realignment revenue and use of remaining fund balance for local preparedness programs. The recommended changes in staffing are outlined in the staffing table above.

SUMMARY

Overall, appropriations and estimated revenue for *A healthy community* are recommended to decrease $4,289,574 and $5,683,324 respectively. This is funded by $1,369,589 of departmental fund balance and $24,161 of increased net county cost.

A strong local economy

COUNTY DEPARTMENTS

Alliance Worknet
Library

A strong local economy

OVERVIEW

The Board of Supervisors priority area of *A strong local economy* recognizes the critical role that County government can play in creating a local economy that promotes, protects, and sustains our agricultural economies while providing for broader, more diversified economic opportunities that will strengthen our local economy and provide for a better, more stable, quality of life for our residents. Job creation, providing a wide range of employment and training services, providing educational and recreational opportunities and resources, promoting tourism, and providing a solid information technology infrastructure to support E-government are key aspects of *A strong local economy.* Departments and programs assigned to this priority area include: Alliance Worknet, Chief Executive Office - Economic Development Bank, and the Library. The Alliance Worknet's major funding source is Federal funds, while the Library is supported by a special 1/8 cent sales tax and a contribution from the General Fund.

DEPARTMENTAL REVENUES AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of *A strong local economy* as of December 31, 2009, actual revenue collected is $10.3 million, which represented 31.1% of the estimated annual revenue. This is below the range when compared to the mid-year point of the prior two years when collections were 35.5% and 36.8% of the final actual revenue. As of December 31, 2009, expenditures are $13.5 million, representing 38.4% of the budgeted appropriations. Expenditures at the mid-year point of the prior two years were 46.9% and 45.5% of the final actual expenditures, placing this year's expenditures below the range.

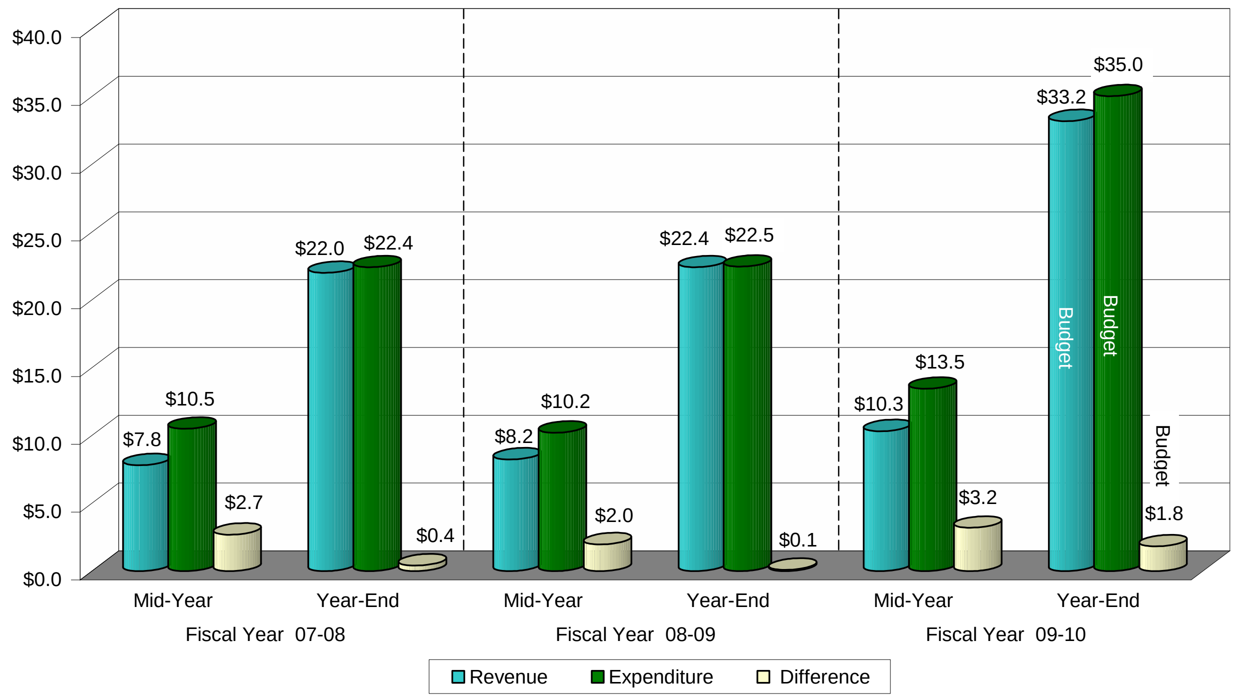
Significant variations this year, compared to the same time period one year ago include:

- Alliance Worknet and Alliance StanWORKs – A combined increase in revenue and expenditures of approximately $2.67 million and $3.67 million from American Recovery and Reinvestment Act funding to implement the summer youth program and increased job training and assistance for dislocated workers as well as timing differences in reimbursement from the State; and

- Library – A continued decline, in part, due to unrealized sales tax revenue of approximately $607,000 and, in response, reduced expenditures resulting in a decrease of nearly $484,000.

The following chart provides a comparison of revenue, expenditures and the difference between the two which is funded through the use of fund balance/retained earnings. This comparison shows mid-year and year-end for a three year period, including the current year, for the departments assigned to the Board of Supervisors priority area of *A strong local economy:*

A strong local economic
Three Year Comparison



The total budgeted revenue for the departments assigned to the Board of Supervisors priority area of *A strong local economy* for Fiscal Year 2009-2010 is $33.2 million with departmental expenditures budgeted at $35.0 million and the difference of $1.8 million funded through fund balance/retained earnings. Both revenue and expenditures are up, with revenue collections increasing by $2.1 million and expenditures increasing by $3.3 million over Mid-Year 2008-2009.

MID-YEAR ISSUES AND RECOMMENDATIONS

ALLIANCE WORKNET

StanWORKs: Based upon their mid-year analysis, the Alliance Worknet anticipates ending the year in the StanWORKs budget within budgeted appropriations and estimated revenue. Through a contract with the Community Services Agency, Alliance Worknet is able to serve local Temporary Aid to Needy Families (TANF) recipients by providing an array of employment and training services. This includes job searching, resume writing, and providing classes to enhance interviewing skills. The Alliance Worknet has requested an adjustment to this budget, in the amount of $4,920,400, in order to accommodate additional funding made available through the Community Services Agency, from the American Recovery and Reinvestment

Act to implement the TANF Emergency Contingency Fund Program. Specifically, a paid work experience program will be developed to serve an additional 400-600 clients. The program is expected to end in September 2010 but will be substantially in place during the current fiscal year.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
Alliance Worknet - StanWORKS	$4,920,400	$4,920,400	$0	Increase in Community Services Agency contract to implement TANF Emergency Contingency Fund (TECF) Program.
Total	$4,920,400	$4,920,400	$0	

Summary of Recommendations: It is recommended to increase appropriations by $4,920,400 and estimated revenue by $4,920,400 to reflect the increase in program funding for training services from the Community Services Agency.

LIBRARY

Based upon their mid-year analysis, the Library has requested several adjustments to budget to ensure that this budget ends the year within budgeted appropriations and estimated revenue.

In order to address the continued decline in dedicated sales tax revenue receipts, estimated at $755,248, the Library has proposed reducing spending, by $578,248, through reductions to Salary and Benefits, Services and Supplies (marketing/outreach and books and supplies) and fixed assets (maintenance projects). The Library is able to maintain the required 90% Maintenance of Effort and qualify for approximately $177,000 in Public Library Fund from the California State Library that was not budgeted in the proposed budget but is contained in the requested adjustment. This additional revenue offsets a portion of the sales tax revenue adjustment.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
Library	($578,248)	($578,248)	$0	Overall decrease in revenue due to decline in sales tax receipts with corresponding adjustment to appropriations.
Total	($578,248)	($578,248)	$0	

Summary of Recommendations: It is recommended to decrease appropriations by $578,248 and estimated revenue by a corresponding amount to reflect the overall decrease in sales tax revenue.

SUMMARY

Overall, appropriations and estimated revenue for *A strong local economy* are recommended to increase by $4,342,152. The increase is attributable primarily to increased funding in the Alliance Worknet StanWORKs budget to develop and implement a paid work experience program.

A strong agricultural economy/heritage

COUNTY DEPARTMENTS

Agricultural Commissioner
Cooperative Extension

A strong agricultural economy/heritage

OVERVIEW

The Board of Supervisors priority area of *A strong agricultural economy/heritage* recognizes the vital role of the County's number one industry that generates over $2 billion a year for County residents. Farmland conversion, air pollution, soil salinity and drainage, agricultural water supply and water quality, and preservation of our unique agriculture heritage are key aspects of *A strong agricultural economy/heritage.* Departments assigned to this priority area include: Agricultural Commissioner's Department and Cooperative Extension. The major funding source for these County budgets includes contributions from the General Fund. The Agricultural Commissioner receives State funding for a number of programs as well as charges for specific services. While not part of the County budget, Cooperative Extension's University of California advisors are funded through the University of California system.

DEPARTMENTAL REVENUE AND EXPENDITURES

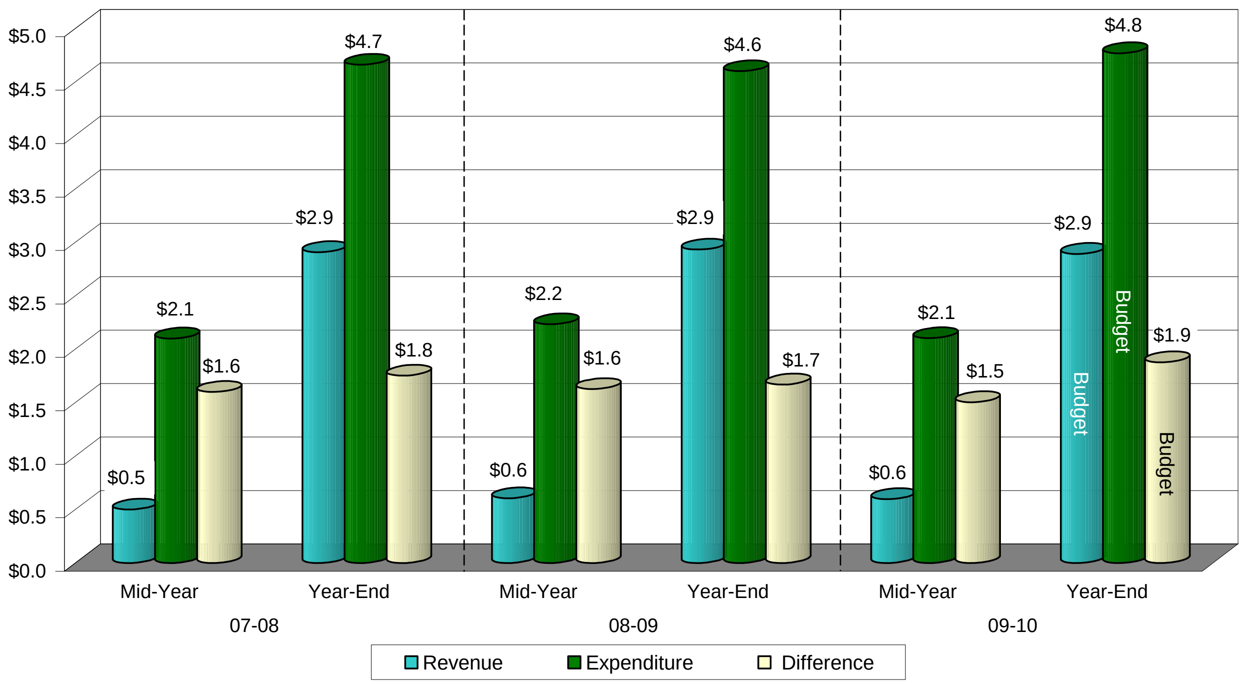
For the departmental budgets that are part of the Board of Supervisors priority area of *A strong agricultural economy/heritage* as of December 31, 2009, actual revenue collected is $598,000, which represents 20.7% of the estimated annual revenue. This is within the range when compared to the mid-year point of the prior two years when collections were 18.5% and 20.7% of the final actual revenue. As of December 31, 2009, expenditures are $2.1 million, representing 44.1% of the budget appropriations. Expenditures at the mid-year point of the prior two years were 45.1% and 48.5% of the final actual expenditures, placing this year's expenditures slightly below the range.

Significant variations this year, compared to the same time period one year ago include:

- Agricultural Commissioner's Office - A decline in expenditures of $114,000 due to the Fiscal Year 2008-2009 purchase of replacement vehicles and equipment occurring early in the year.

The following chart provides a comparison of revenue, expenditures and the difference between the two which is funded through a General Fund contribution or the use of fund balance/retained earnings. This comparison shows first quarter and year-end for a three year period, including the current year, for the departments assigned to the Board of Supervisors priority area of *A strong agricultural economy/heritage*.

A strong agricultural economy/heritage
Three Year Comparison



The total budgeted revenue for the departments assigned to the Board of Supervisors priority area of *A strong agricultural economy/heritage* for Fiscal Year 2009-2010 is $2.9 million and departmental expenditures at $4.8 million with the difference of $1.9 million funded through the use of fund balance/retained earnings. This general fund contribution and use of fund balance and retained earnings is similar to previous years and, at mid-year, appear to be tracking as in previous years.

MID-YEAR ISSUES AND RECOMMENDATIONS

AGRICULTURAL COMMISSIONER'S OFFICE

The Agricultural Commissioner's Office has requested an increase in revenue and appropriations as a result of increased funding from the State's contract for monitoring services surrounding the Light Brown Apple Moth (LBAM). The Department anticipates utilizing this increased funding to meet increased expenditures for supplies and capital lease reduction.

It is recommended to increase revenue and appropriations in the amount of $8,992 to be funded by increased State funding.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
Agricultural Commissioner's Office	$8,992	$8,992	$0	Increase in contract for Light Brown Apple Moth.
Total	$8,992	$8,992	$0	

Summary of Recommendations: It is recommended to increase revenue and appropriations in the amount of $8,992 funded by increased State funding for the Light Brown Apple Moth (LBAM).

SUMMARY

Overall, appropriations and estimated revenue for *A strong agricultural economy/heritage* are recommended to increase $8,992. This increase/revenue is a result of an increase in State funding.

A well-planned infrastructure system

COUNTY DEPARTMENTS

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

A well-planned infrastructure system

OVERVIEW

The Board of Supervisors priority area of *A well-planned infrastructure system* is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, and regional approaches to transportation circulation are critical to *A well-planned infrastructure system.* Departments assigned to this priority area include: Environmental Resources, Parks and Recreation, Planning and Community Development, and Public Works. Environmental Resources and Planning and Community Development's Building Services Division are supported primarily through fees and Charges for Services. The General fund primarily funds the Parks and Recreation Department and Planning and Community Development's Planning Division. The Planning and Community Development's Community Development Division and the Redevelopment Agency are funded by special revenue grants and tax increment payments. The Public Works Department primary sources of funding are derived from Charges for Services and State and Federal funding for transportation and roads.

DEPARTMENTAL REVENUE AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of *A well-planned infrastructure system* as of December 31, 2009, actual revenue collected is $32.6 million, which represents 27.6% of the estimated annual revenue. This is lower than the range when compared to the mid-year point of the prior two years when collections were 37.7% and 45.3% of the final actual revenue. As of December 31, 2009, expenditures are $48.5 million, representing 28% of the budgeted appropriations. Expenditures at the mid-year point of the prior two years were 47.2% and 54.2% of the final actual expenditures, placing this year's expenditures lower than the range.

Significant variations this year, compared to the same time period one year ago include:

- Department of Environmental Resources Fink Road Landfill – A decline in revenue compared to the same period last year in the amount of $727,000 due to the ending of the I-5 Ranch lease, decreased tonnage coming into the landfill as a result of the declining economy, and an increase in expenditures of $2.2 million due to the beginning of the planned Cell No. 5 construction;

- Department of Environmental Resources Waste-to-Energy Program – A decrease in expenditures of $10.8 million due to the Fiscal Year 2008-2009 early redemption of the Series 2000 Refunding Revenue Certificates;

- Parks and Recreation Department – A decrease in expenditures of $544,000 due to operational reductions and a change in the timing of charges from the Sheriff's Department for patrol services at the reservoirs from annually, in December, to quarterly;

- Parks and Recreation Department Tuolumne Regional River Park – An increase in expenditures of $200,000 due to a change in billing from the City of Modesto. Billing for the current fiscal year occurred earlier than the prior year;

- Planning and Community Development Department Redevelopment – A decline in revenue of $1.1 million due to the Keyes Community Services District payment for the Keyes Improvement Project (Storm Drain System). This revenue was received in Fiscal Year 2008-2009 for the construction project currently underway. The Department experienced an increase in expenditures of $9.1 million associated with the Keyes Improvement Project (Storm Drain System) currently underway;

- The Planning and Community Development's Redevelopment Housing Set-Aside – An increase of $381,000 in revenue from various sources in support of housing rehabilitation, construction, and acquisition efforts;

- The Planning and Community Development Department Special Revenue Grants received $5.9 million in additional revenue in the form of a grant award from the Neighborhood Stabilization Program. The Department expended an increase of $5.6 million in support of community development programs including housing rehabilitation and down-payment assistance;

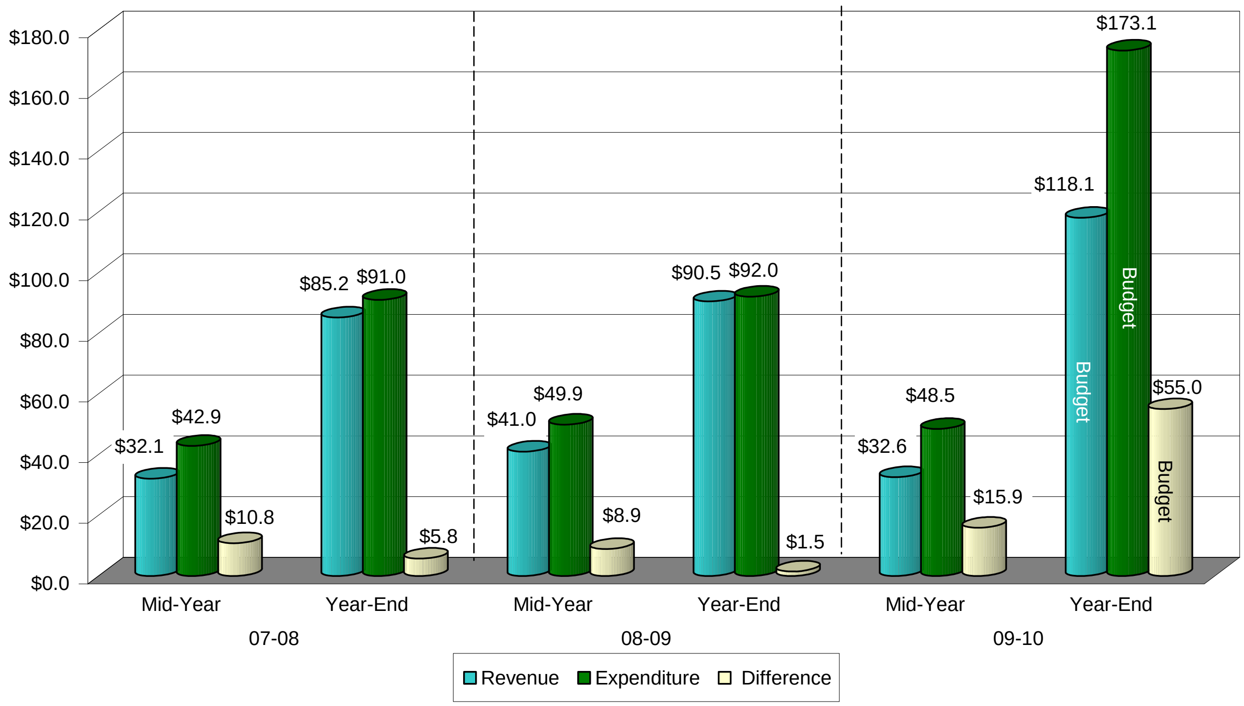
- The Department of Public Works Local Transit - A decline of $518,000 in revenue receipts compared to mid-year of the prior year due to the timing of receipts from the Stanislaus Council of Governments (StanCOG). Transit revenues are apportioned to the jurisdictions by StanCOG, this apportionment has occurred later in the year than the same period one year ago;

- The Department of Public Works Morgan Shop Division - A decline in revenue and expenditures of $664,000 due to reduced equipment rental; and

- The Department of Public Works Road and Bridge – A decrease in revenue of $11.6 million due to the absence of State of California's Proposition 42 funds and Highway User's Tax (HUTA) receipts. Proposition 42 revenue receipts are typically received on a quarterly basis while HUTA is received monthly. Unfortunately, the State's Fiscal Year 2009-2010 budget defers the HUTA for the months of July through September, and the first two quarters of Proposition 42 funds. The Department reduced expenditures by approximately $6.6 million in response to the significant reduction in revenue from Proposition 42 funds and Highway User's Tax (HUTA) receipts.

The following chart shows a three year period of July – December 2009 activity, including the current year, for the departments assigned to the Board of Supervisors priority area of *A well planned infrastructure*:

A well-planned infrastructure system
Three Year Comparison



The total budgeted revenue for the departments assigned to the Board of Supervisors priority area of *A well planned infrastructure* for Fiscal Year 2009-2010 is $118.1 million and total budgeted expenditures are $173.1 million with the difference of $55 million funded through the use of General Fund contributions and fund balance/retained earnings. The budget for this priority area does not reflect a decrease in appropriations for the Public Works Road and Bridges budget unit approved by the Board of Supervisors on February 16, 2010. Over $49 million of the total expenditure budget of $173.1 million is related to carryover projects from the prior fiscal year such as the Keyes Improvement Project, Cell 5 construction and various road projects. After factoring in the delay of HUTA and Proposition 42 funding remaining revenue and expenditure projections appear to be on track.

MID-YEAR ISSUES AND RECOMMENDATIONS

ENVIRONMENTAL RESOURCES

AB939 Source Reduction and Recycling: The Department's AB939 budget unit incurs staffing costs throughout the fiscal year. After year-end closure processes, the Department completes a reconciliation process to identify final staffing costs related to activities within the program. The Department has requested an increase of $23,153 in appropriations to cover staffing costs related to Fiscal Year 2008-2009 to be funded with department fund balance.

Used Oil Recycling: The Department's Used Oil Recycling budget unit incurs staffing costs throughout the fiscal year. After year-end closure processes, the Department completes a reconciliation process to identify final staffing costs related to activities within the program. The Department has requested an increase of $6,498 in appropriations to cover staffing costs related to Fiscal Year 2008-2009 to be funded with department fund balance.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
DER - AB939 Source Reduction & Recycling	$23,153	$0	$23,153	Increase in appropriations due to staffing costs for Fiscal Year 2008-2009 resulting in increased use of fund balance.
DER - Used Oil Recycling	$6,498	$0	$6,498	Increase in appropriations due to staffing costs for Fiscal Year 2008-2009 resulting in increased use of fund balance.
Total	$29,651	$0	$29,651	

Summary of Recommendations: It is recommended to increase revenue and appropriations in the amount of $29,651 for staffing costs to be funded by increased fund balance.

PARKS AND RECREATION

The Department of Parks and Recreation anticipates receiving additional revenue from off-highway grant funding and increased visitation to the Modesto and Woodward reservoirs. This revenue will be used to fund increased administrative costs and extra-help staffing. The Department is requesting an increase of $274,743 in appropriations and $384,120 in revenue resulting in a decreased use of net county cost of $109,377.

Modesto Reservoir Patrol: The Department requests an increase of $62,000 in appropriations to fund a portion of the new parks automated reservation system and staffing costs associated with increased visitation at the Modesto Reservoir to be funded with department fund balance. The new parks automated reservation system originally was launched in 2009 but was inactivated pending the correction of implementation errors that were encountered. The additional evaluation and testing will help bring the system online as soon as possible.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
Parks & Recreation	$274,743	$384,120	($109,377)	Increase in expenditures for extra-help staffing to be funded by increased department revenue resulting in decreased net county cost.
Parks - Modesto Reservoir Patrol	$62,000	$0	$62,000	Increase in expenditures for anticipated costs relating to Parks on-line reservation system.
Total	$336,743	$384,120	($47,377)	

Summary of Recommendations: It is recommended to increase appropriations by $336,743 to be funded by $384,120 in increased revenue, resulting in an overall decrease in the use of fund balance/net county cost of $47,377 for extra-help staffing and costs related to the Parks on-line reservation system.

PUBLIC WORKS

Morgan Shop: The Public Works Department has seen a significant reduction in revenue as a result of fewer requests for rental and repair services, fuel costs and usage, and heavy equipment rental services. The Department is responding to this reduction in revenue by reducing expenditures through the postponement of equipment purchases, reduced fuel costs, and reduced salary costs. As a result of these reductions the Department is requesting a $504,244 decrease in appropriations and a $647,894 decrease in revenue. As equipment maintenance services must be provided to ensure the safe and reliable operation of the Division's equipment, the Department is requesting the increased use of fund balance in the amount of $143,650.

Road and Bridge: Public Works Department requests a decrease of $5,360,000 in revenue due to the delayed receipt of Proposition 1B funding. Proposition 1B funds are received from the State and have been delayed as a result of the uncertainty of the State's fiscal position. The Department had intended to utilize the Proposition 1B funds in order to offset the use of Highway User Tax (HUTA) funding to allow HUTA funding to be carried forward in fund balance for use in Fiscal Year 2010-2011. The Department requests the use of fund balance to off-set the decrease in revenue.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
Public Works - Morgan Shop	($504,244)	($647,894)	$143,650	Decrease of expenditures in response to decreased revenue from charges for services resulting in increased use of fund balance.
Public Works - Road and Bridge	$0	($5,360,000)	$5,360,000	Decrease in revenue as a result of delayed Proposition 1B funding.
Total	($504,244)	($6,007,894)	$5,503,650	

Summary of Recommendations: It is recommended to decrease appropriations and revenue by $504,244 and $6,007,894 respectively resulting in an increase of $5,503,650 in use of fund balance.

SUMMARY

Overall, appropriations and estimated revenue for *A well-planned infrastructure system* are recommended to decrease $137,850 and $5,623,774 respectively. This is funded by $5,595,301 of departmental fund balance which reduces the net county cost by $109,377.

Efficient delivery of public services

COUNTY DEPARTMENTS

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

Efficient delivery of public services

OVERVIEW

The public expects government to be responsive to their needs and to conduct business efficiently. County departments provide services to a diverse customer base and to serve these customers efficiently it is important to consistently understand and review how to improve County services. Departments assigned to the Board of Supervisors priority area of *Efficient delivery of public services* include: Assessor, Auditor - Controller, Chief Executive Office, Clerk of the Board of Supervisors, Clerk-Recorder/Elections, County Counsel, General Services Agency, Strategic Business Technology and Treasurer-Tax Collector. The revenue used to pay for the majority of these services comes from local taxes such as property tax and sales tax, fees, franchises, charges for services, and a variety of other discretionary sources. A large portion of the Clerk-Recorder is funded through Charges for Services provided. The General Services Agency and Strategic Business Technology's primary funding source is charging other County departments for the services they provide.

DEPARTMENTAL REVENUE AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of Efficient delivery of public services as of December 31, 2009, actual revenue collected is $50.8 million, which represents 45% of the estimated annual revenue. This is within the range when compared to the mid-year point of the prior two years when collections were 43.2% and 45.5% of the final actual revenue. As of December 31, 2009, expenditures are $76.6 million, representing 42.8% of the budgeted appropriations. Expenditures at the mid-year point of the prior two years were 47.7% and 49.1% of the final actual expenditures, placing this year's expenditures below the range.

Significant variations this year, compared to the same time period one year ago include:

- Chief Executive Office – Risk Management Self-Insurance Funds - A $2.6 million decrease in revenue as the result of departments not being charged for Workers' Compensation and Unemployment Insurance. Expenditures are down by $886,000 primarily due to decreased health insurance enrollment and a lag in timing of claim payments;

- Chief Executive Office – Debt Service Fund - A $2.7 million increase in revenue due to the timing of bringing in Public Facility Fees and a $761,000 decrease in expenditures due to the timing of posting annual scheduled Certificate of Participation (COP) payments;

- Chief Executive Office – Crows Landing Air Facility - A $338,000 decrease in revenue due to reimbursement payment received in the prior fiscal year from PCCP West Park LLP for legal expenses associated with the development project and the delay in the receipt of the agricultural lease revenue in the current fiscal year;

- Clerk-Recorder – Elections Division - A $276,000 decrease in revenue due to funding received in the 2008-2009 Fiscal Year for reimbursement from the State for the Uniform District Election, Presidential Primary, State Direct Primary and the Oak Valley Hospital District election;

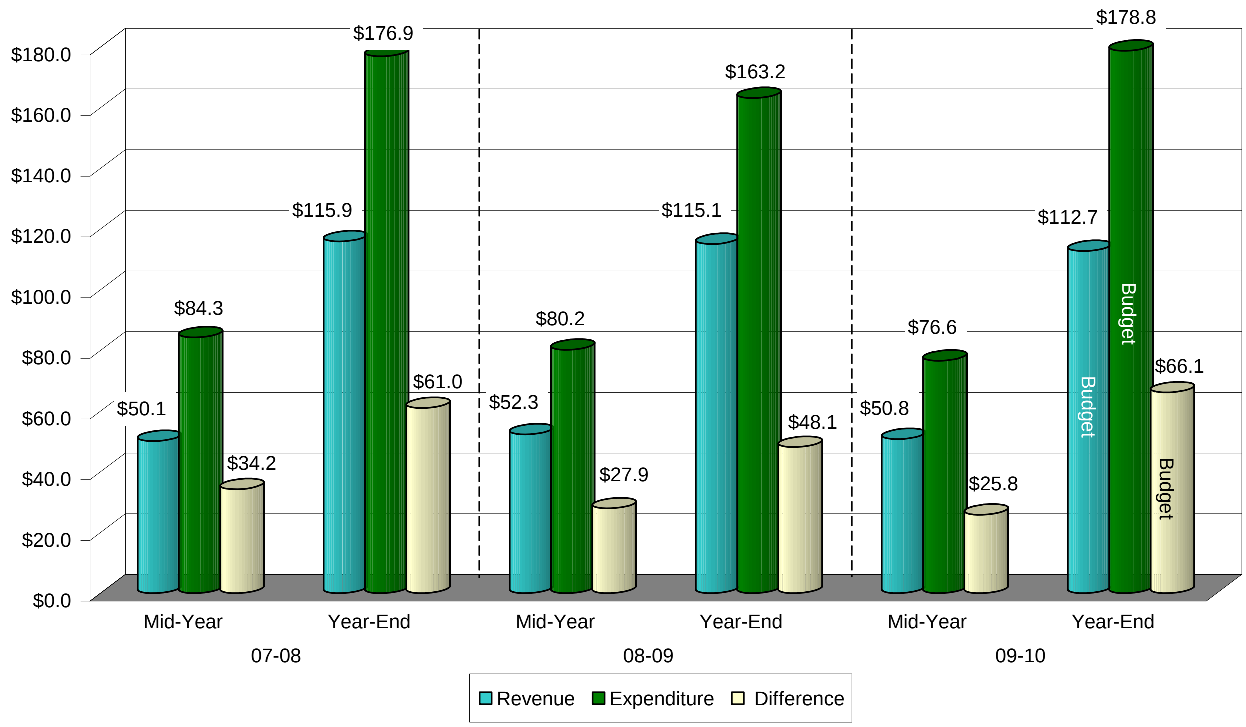
- Chief Executive Office – Plant Acquisition - A decrease in revenue of $267,000 due to one time interest earnings during last fiscal year from borrowing for professional services and project close out cost related to the project for the Gallo Center for the Arts. There is also a decrease of $765,000 in expenditures primarily due to decreased expenditures associated with Services and Supplies and deferred maintenance;

- Chief Executive Office – Vehicle License Fees - A decrease in revenue and expenditures of $565,000 as a result of a reduction of vehicle sales due to the downturn in the economy which results in lower funds being apportioned to fund County realigned programs; and

- Chief Executive Office – General Fund Match and Support - A decrease of $614,000 in expenditures as a result of the 12% General Fund reduction to programs primarily funded by the State and Federal revenues.

The following chart provides a comparison of revenue, expenditures and the difference between the two which is funded through a General Fund contribution and the use of fund balance/retained earnings. This comparison shows mid-year and year-end for a three year period, including the current year, for the departments assigned to the Board of Supervisors priority area of *Efficient delivery of public services.*

Efficient delivery of public services
Three Year Comparison



The total budgeted revenue for the departments assigned to the Board of Supervisors priority area of *Efficient delivery of public services* for Fiscal Year 2009-2010 is $112.7 million and total budget expenditures are $178.8 with a difference of $66.1 million funded through the use of General Fund contributions and the use of fund balance/retained earnings. Both revenue and expenditures are down, with revenue collections decreasing by $1.5 million and expenditures decreasing almost two times as much at $3.6 million over Mid-Year 2008-2009. As a result, the general fund contribution and use of fund balance/retained earnings is at 37% of the budget at mid-year and is tracking with previous years. This trend is expected to continue throughout the year.

<u>MID-YEAR ISSUES AND RECOMMENDATIONS</u>

ASSESSOR

As part of the mid-year budget, the Assessor is requesting $39,677 for the cost of two retirement cash-outs which can not be funded in the Assessor's current budget. This funding represents the net cost of the retirement cash-out after subtracting the anticipated increase in estimated revenue from higher than expected penalties for failure to timely file a change in ownership statement.

One of the assessor servers is running on Windows Server 2000. This operating system will stop being supported by Microsoft in June 2010. Consistent with the County's current Information Technology Security Policy the operating system on this server will need to be updated or the computer taken off the county network before the end of June when support stops. Currently the server is only used by the Assessor for a File Transfer Protocol (FTP) site and the Tax Collector for electronic payments. The Assessor needs to purchase upgraded storage for newer servers and remove the old server from service within the 2009-2010 Fiscal Year. The unanticipated cost of the upgraded storage is approximately $7,500, which will be funded with existing appropriations.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance/ Appropriations for Contingencies	
Assessor	$39,677	$0	$39,677	Increase in Appropriations to cover retirement cash-outs funded by Appropriations for Contingencies.
Total	$39,677	$0	$39,677	

Summary of Recommendations: It is recommended to increase appropriations by $39,677 in the Assessor's budget for the retirement cash-out, to be funded by a transfer from Appropriations for Contingencies.

CHIEF EXECUTIVE OFFICE

Operations and Services: As part of a long-term budget balancing strategy, the CEO – Operations and Services budget includes a request to unfund two additional vacant positions, bringing the total unfunded positions within the Chief Executive Office Operations and Services to nine. Across all Chief Executive Office divisions, the total number of funded, allocated positions has decreased by 15:

- Operations and Services — 9 unfunded positions;
- Office of Emergency Services — 1 unfunded position, 1 reduction-in-force;
- County Fire Service Fund — 1 unfunded position;
- Risk Management — 1 unfunded position; and
- Clerk of the Board — 2 unfunded positions.

Summary of Staffing Requests & Recommendations: In order to better reflect the current fiscal position, the department is requesting staffing recommendations as reflected in the table below.

CHIEF EXECUTIVE OFFICE STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Operations and Services	-1	Confidential Assistant III	Unfund vacancy	FY 10/11 GF revenue loss	Unfund vacant position
Operations and Services	-1	Manager III	Unfund vacancy	FY 10/11 GF revenue loss	Unfund vacant position
CEO CHANGES	-2				
BEGINNING ALLOCATION	39				
CHANGES IN ALLOCATION	-2				
ENDING ALLOCATION	37				

Summary of Recommendations: The recommended changes in staffing are outlined in the staffing table above.

Risk Management: The department is requesting a $60,000 increase in appropriations to fund an unanticipated retirement cash-out. At mid-year the department has projected approximately $39,000 in year-end savings in addition to salary saving that will be realized from the position retiring remaining vacant for the last three months of the fiscal year. Given the projections and anticipated salary savings it is recommended to review this request at third quarter.

CHIEF EXECUTIVE OFFICE – COUNTY OPERATIONS

Appropriations for Contingencies: Appropriations for Contingencies serves as a contingency fund for the County to provide sufficient funding for emergencies and unanticipated expenses. Transfers from this fund require a four-fifths vote of the Board of Supervisors. The 2009-2010 Final Budget included $4,000,000 in appropriations for exposures such as increases in employee health insurance costs, labor related costs, and other unanticipated exposures.

Through December 31, 2009, no requests for transfers were received. At this time, it is recommended that the following transfers be made totaling $997,825 which is explained in greater detail in the department narrative:

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
CEO - Appropriations for Contingencies	($39,677)	$0	$0	Retirement cash-out costs for the Assessor.
CEO - Appropriations for Contingencies	($6,200)	$0	$0	Retirement cash-out costs for the Clerk-Recorder.
CEO - Appropriations for Contingencies	($25,000)	$0	$0	Retirement cash-out costs for the Clerk-Recorder - Elections.
CEO - Appropriations for Contingencies	($824,991)	$0	$0	Costs associated with the Statewide Direct Primary Election in the Clerk-Recorder - Elections budget.
CEO - Appropriations for Contingencies	($101,957)	$0	$0	Retirement cash-out costs for General Services Agency - Facilities Maintenance budget.
Total	($997,825)	$0	$0	

Summary of Recommendations: A transfer of $997,825 from Appropriations for Contingencies is recommended for the Assessor, Clerk-Recorder and General Services Agency budgets, leaving a balance of $3,002,175 for the remainder of the fiscal year. Transfers from Appropriations for Contingencies requires a four-fifths vote of the Board of Supervisors.

General Fund Match and Support: As part of the 2009-2010 Proposed Budget, the Area Agency on Aging – Veterans' Services budget identified a funding shortfall of $26,661 that could be resolved by savings on lease costs in the Area Agency on Aging budget. The Department subsequently reduced the funding shortfall by $500. At this time it is recommended to reduce County Match for Area Agency on Aging by $26,161 to accommodate an increase in net county cost for Veterans' Services.

As part of the 2009-2010 Mid-Year Financial Report, the Community Services Agency (CSA) is requesting to establish a new budget for In-Home Supportive Services (IHSS) Provider Wages. These costs, including

County Match, have been included in the CSA Services and Support budget. These recommended changes to County Match result in no increased cost to the General Fund and include a reduction of $991,485 from CSA – Services and Support, a reduction of $1,255,218 from CSA - Public Economic Assistance, an increase of $99,162 in CSA IHSS Public Authority – Benefits, and an increase of $2,147,541 in CSA - IHSS Provider Wages.

The General Fund Match and Support budget includes $1,415,585 to meet the County's obligation under the North McHenry Tax Sharing agreement with the City of Modesto. The Agreement specifies how sales taxes and property taxes are to be shared as areas become incorporated. The payment to the City is placed in this budget for accounting purposes as are all contributions made to outside agencies. In light of the decline in local property taxes and sales tax revenue, it is recommended to decrease appropriations by $300,000 for the North McHenry Tax Sharing Agreement.

The Sheriff – Contract Cities budget has reconciled its fund balance and determined a major portion of that fund balance was contributed by the City of Waterford. The County and the City of Waterford have agreed upon an amount of $445,818. The available Contract Cities fund balance is $380,923 not sufficient to cover the entire amount. The balance is recommended to be funded by an increase in appropriations of $64,895 from the Tobacco Settlement designation to fully fund the payment to the City of Waterford from an amount of $300,000 that was originally set aside for the City of Waterford's Community Center.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
CEO - General Fund Match and Support	($24,161)	$0	($24,161)	Reduction in County Match for Area Agency on Aging.
CEO - General Fund Match and Support	($991,485)	$0	($991,485)	Reduction in County Match for Community Services Agency Services and Support.
CEO - General Fund Match and Support	($1,255,218)	$0	($1,255,218)	Reduction in County Match for Community Services Agency Public Economic Assistance.
CEO - General Fund Match and Support	$99,162	$0	$99,162	Increase in County Match for Community Services Agency In-Home Supportive Service Public Authority Benefits Administration.
CEO - General Fund Match and Support	$2,147,541	$0	$2,147,541	Increase in County Match for Community Services Agency In-Home Supportive Service Provider Wages.
CEO - General Fund Match and Support	($300,000)	$0	($300,000)	Reduction in estimated obligation for North McHenry Tax Sharing Agreement.
CEO - General Fund Match and Support	$64,895	$0	$64,895	Use of Tobacco Settlement funds for City of Waterford Contract Cities fund balance payment.
Total	($259,266)	$0	($259,266)	

Summary of Recommendations: It is recommended to decrease appropriations by $259,266 as a result of a reduction in the estimated obligation for the North McHenry Tax Sharing Agreement, a transfer of net county cost to Area Agency on Aging and Veteran's Services and the use of Tobacco Settlement funds for a payment to City of Waterford.

Plant Acquisition:

Transfer of Cash to the Animal Services Facility Project Budget: As part of the Chief Executive Office Fiscal Year 2008-2009 year-end closing of the County's financial records, a year-end carry over of $752,713 was approved and set-a-side for the new Animal Services Facility in the CEO - Plant Acquisition budget. At this time, the Chief Executive Office is requesting to transfer out $752,713 from the CEO - Plant Acquisition budget and transfer in $752,713 to the Animal Services Facility Capital Project budget. Approval of this transfer will increase revenue in the Animal Services Facility Capital Project budget. Overall, this will reduce the amount the County borrows from the Tobacco Endowment Fund and will reduce the County's ongoing annual net debt obligation for the construction of the new Animal Services Facility.

Reimbursement Resolution for the New Animal Services Facility: On February 10, 2010, the Board of Supervisors approved the Reimbursement Resolution related to the construction of the New Animal Services Facility for the cash the County advanced to the project during the Bridging Design Phase. The total project budget approved by the Board of Supervisors through the Bridging Design Phase was $515,837.

At this time, the Chief Executive Office is requesting the Board of Supervisors approve to reimburse the County $515,837 for the cash the County has committed to the New Animal Services Facility Capital Project budget through the Bridging Design Phase. Approval of this reimbursement will reduce the amount the County borrows from the Tobacco Endowment Fund and will reduce the County's ongoing annual net debt obligation for the construction of the new Animal Services Facility.

CHIEF EXECUTIVE OFFICE- RISK MANAGEMENT GENERAL LIABILITY SELF-INSURANCE FUND

The General Liability Self-Insurance budget has the potential for a significant exposure in the second half of the fiscal year. This budget will continue to be monitored closely and a request for adjustment may be necessary as part of the Third Quarter Budget Report.

CLERK-RECORDER

Recorder Division: The Clerk-Recorder Division is requesting $6,200 to fund a retirement cash-out. The total identified by the Department is $38,000. Through cost savings, the Division is able to absorb $31,800 in the 2009-2010 Fiscal Year budget. The Department will better be able to identify if they are able to absorb the additional $6,200 toward the end of the 2009-2010 Fiscal Year. At this time the Chief Executive Office is recommending that in the event that the Clerk-Recorder Division budget needs these funds, up to $6,200 will be transferred into the Clerk-Recorder's budget.

Elections Division: The Elections Division is requesting $25,000 to fund a retirement cash-out. The Department anticipates a retirement date of March 2010.

In the 2009-2010 Proposed Budget, the Department requested funding for the June 10, 2010 Statewide Direct Primary Election cost to finance expenditures for essential federal and State mandated election elements. At that time it was recommended to address the unmet need in the mid-year budget. The Department has estimated the cost to conduct the upcoming election to be $875,000.

The Department has also identified an increase in revenue of $50,009 due to budgeted revenue from districts to conduct district elections coming in higher than anticipated.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance/ Appropriations for Contingencies	
Clerk Recorder - Elections	$875,000	$0	$875,000	Increase in appropriations to fund the Statewide Direct Primary Election and a retirement cash-out funded by Appropriations for Contingencies.
Clerk Recorder - Elections	$25,000	$0	$25,000	Increase in appropriations to fund a retirement cash out funded by Appropriations for Contingencies.
Clerk Recorder - Elections		$50,009	($50,009)	Increase in revenue from conducting district elections.
Clerk Recorder	$6,200	$0	$6,200	Increase up to $6,200 if needed to cover retirement cash-outs funded by Appropriations for Contingencies.
Total	$906,200	$50,009	$856,191	

Summary of Recommendations: It is recommended to increase estimated revenue by $50,009 and increase appropriations by $906,200 in the Clerk-Recorder's budget to fund the 2010 Statewide Direct Primary Election and two retirement cash-outs. The $849,991 is needed for the election is recommended to be funded from a transfer from Appropriations for Contingencies an up to amount of $6,200 is recommended as needed from Appropriations for Contingencies for a cash out.

GENERAL SERVICES AGENCY

The General Services Agency (GSA) is comprised of five divisions: Administration, Central Services, Facilities Maintenance, Fleet Services, and Purchasing. GSA Administration is a General Fund division within the General Services Agency and provides support to GSA through payroll, accounting, budgeting, and personnel services. All other divisions provide services to Stanislaus County Departments. As part of the 2009-2010 Final Budget, the Chief Executive Office began a comprehensive operational and financial review of GSA, to assess the range of possibilities for future operations. This review is currently underway and will be returned to the Board of Supervisors in the near future for consideration.

Administration: At proposed budget, the Department budgeted revenue in an intrafund account which was reflected as an expenditure reduction. At this time, the Department is requesting a technical adjustment to correct the account and increase appropriations and revenue by $17,989.

Central Services: The Department has had increased requests for printing services. At this time, the Department is requesting to increase appropriations and revenue by $35,637 for services and printing supplies with offsetting revenue.

Facilities Maintenance: Not included in the Fiscal Year 2009-2010 Final Budget were cash-out related expenses for two anticipated retirements which were recommended to be reviewed at mid-year when cash-out levels could be calculated. At this time, the Department is requesting $101,957 to fund the two retirement cash-outs.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance/ Appropriations for Contingencies	
General Services Agency-Administration	$17,989	$17,989	$0	Increase in appropriations and revenue to correct the original budget.
General Services Agency-Central Services	$35,637	$35,637	$0	Increase in appropriations and revenue for increased printing and supplies costs due to increased printing requests.
General Services Agency-Facilities Maintenance	$101,957	$0	$101,957	Increase Salaries and Benefits for two retirement cash-outs funded from Appropriations for Contingencies.
Total	$155,583	$53,626	$101,957	

Summary of Recommendations: It is recommended to increase appropriations by $155,583 and revenue by $53,626 for a technical adjustment, increased printing requests and vacation cash-outs of $101,957 be funded from Appropriations for Contingencies.

STRATEGIC BUSINESS TECHNOLOGY

The Department has requested to increase fixed assets in the amount of $34,411 as a result of the PeopleSoft Upgrade project. In addition, the Department requests a transfer of retained earnings from Strategic Business Technology to the SBT - Data Center Project. This transfer will allow the Department to prepare fiscally for the data center improvement project.

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
Strategic Business Technology	$34,411	$0	$34,411	Increase Fixed Assets as a result of the PeopleSoft upgrade project.
Strategic Business Technology	$151,570	$0	$151,570	Decrease SBT Fund Balance to fund data center improvement project.
Strategic Business Technology - Data Center	$0	$151,570	($151,570)	Increase SBT Data Center fund balance funded by transfer from SBT.
Total	$185,981	$151,570	$34,411	

Summary of Staffing Requests & Recommendations: In order to better reflect the current fiscal position, the department is requesting staffing recommendations as reflected in the table below.

STRATEGIC BUSINESS TECHNOLOGY STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Strategic Business Technology	-1	Manager IV	Unfund vacancy	Revenue loss	Unfund vacant position
SBT CHANGES	-1				
BEGINNING ALLOCATION	26				
CHANGES IN ALLOCATION	-1				
ENDING ALLOCATION	25				

Summary of Recommendations: It is recommended to increase appropriations and revenue by $185,981 and $151,570 respectively for the People Soft upgrade and data center improvements. This request results in a $34,411 increased use of fund balance. The recommended changes in staffing are outlined in the staffing table above.

SUMMARY

Overall, appropriations and estimated revenue for *Efficient delivery of public services* are recommended to increase by $30,350 and $255,205 respectively. Included in the appropriations is a transfer of $997,825 from Appropriations for Contingencies that is being recommended for to the Clerk-Recorder to fund the Statewide Direct Primary Election cost and to the Clerk Recorder, General Services Agency – Facilities Maintenance and Assessor to fund retirement cash-outs. There is a positive contribution to General Fund fund balance of $324,161 and the use of $34,411 from Strategic Business Technology retained earnings. Also included in the appropriations increase is a transfer of $64,895 from Tobacco Settlement to the Chief Executive Office – County Match for the City of Warterford fund balance payment.

DEPENDENT LIGHTING DISTRICTS AND COUNTY SERVICE AREAS

As part of the 2009-2010 Final Budget, spending plans were estimated and appropriations were approved for the dependent lighting districts and County Service Areas (CSA's) governed by the Board of Supervisors to allow them to operate in the fiscal year. Year-end analysis reveals that, due to unexpected repairs and additional services provided, some of these districts need an increase in appropriations to pay the final expenditures of this year.

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. Listed below are the districts governed by the Board of Supervisors requiring an adjustment in the current Fiscal Year and requested as part of the mid-year process.

County of Stanislaus
Dependent Lighting Districts

Fund	District Name	Original Budget 2009-2010	Additional Budget Necessary to Complete Fiscal Year 2009-2010	Total Adjusted Budget Fiscal Year 2009-2010
1860	Gibbs Ranch	$927	$1,808	$2,735
1862	Hillcrest	8,345	150	8,495
1866	North Oaks	4,046	161	4,207
1869	Peach Blossom	604	2,056	2,660
1874	Sylvan Village #2	3,828	9,514	13,342
1876	Schwartz Baize	125	129	254
1971	North McHenry #2	0	226	226
	Total	$17,875	$14,044	$31,919

County Service Areas

Fund	CSA Name	Original Budget 2009-2010	Appropriation Increase Requested	Total Adjusted Budget Fiscal Year 2009-2010
1813	CSA 10 - Salida - Public Works	$100,770	$20,000	$120,770
1826	CSA 19 - Tuolumne - Gratton	55,860	7,000	62,860
	Total	$156,630	$27,000	$183,630

Summary of Recommendations: It is recommended to increase the Dependent Lighting Districts by $14,044 and County Service Areas by $27,000 funded through existing fund balance to more accurately reflect the revised estimated costs of services provided to these districts.

BUDGET SCHEDULE

The following schedule is recommended for the final 2009-2010 quarterly financial reporting and for the 2010-2011 Proposed Budget:

- March 12, 2010 — Issue 2010-2011 Proposed Budget Instructions to Departments
- April 12, 2010 — Department's Proposed Budget Submittals due to Chief Executive Office
- May 4, 2010 — Third Quarter Financial Report to the Board of Supervisors
- May 28, 2010 — 2010-2011 Proposed Budget available to the Public
- June 8, 9, 10, 2010 — Proposed Budget Presentation and Public Hearing to the Board of Supervisors
- September 14, 15, 16, 2010 — 2010-2011 Final Budget Presentation and Public Hearing to the Board of Supervisors