

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

DEPT: Chief Executive Office

BOARD AGENDA # B-5

Urgent

Routine

AGENDA DATE May 3, 2011

CEO Concurs with Recommendation YES NO

4/5 Vote Required YES NO

(Information Attached)

SUBJECT:

Consideration and Approval of the Third Quarter Financial Report for Fiscal Year 2010-2011, Transfers from Appropriations for Contingencies, Adjustments to the Budget, Staffing Changes, and Set a Public Hearing on June 7, 2011 at 9:05 a.m., for the Consideration and Adoption of the Budget Year 2011-2012 Proposed Budget

STAFF RECOMMENDATIONS:

1. Accept the Chief Executive Officer's Third Quarter Financial Report for Fiscal Year 2010-2011.
2. Authorize the Chief Executive Officer and the Auditor-Controller to make the necessary adjustments as recommended in the Third Quarter Financial Report.
3. Authorize the transfer of \$122,085 from Appropriations for Contingencies as recommended in the Third Quarter Financial Report by a 4/5 Vote of the Board of Supervisors.
4. Authorize the Department of Child Support Services to transfer \$400,000 from the departmental contingency account into other accounts to appropriately fund performance improvement projects.

(Continued on Page 2)

FISCAL IMPACT:

The 2010-2011 Adopted Final Budget was balanced at \$918,752,492 and used the combination of \$878,533,421 in revenue and \$40,219,071 in fund balance and one-time funding sources.

The final adjusted budget, with funds carried forward from last fiscal year for projects underway, encumbrances and changes up to the third quarter point now totals \$959,180,644.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2011-272

On motion of Supervisor Chiesa, Seconded by Supervisor Withrow

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, DeMartini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION: * Please note that the table on page 9 of this staff report was replaced at the Board meeting with a corrected table.



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

STAFF RECOMMENDATIONS: (Continued)

5. Authorize the Auditor-Controller to make necessary year-end closing entries as approved by the Chief Executive Officer.
6. Amend the Salary and Position Allocation Resolution to reflect the recommendations as part of the Third Quarter Financial Report, as outlined in the Staffing Impacts section and detailed in Attachment A to be effective the start of the May 7, 2011 pay period.
7. Approve contracts and/or agreements listed on Attachment B in cumulative amounts of \$100,000 or greater since July 1, 2008.
8. Set a public hearing for the consideration and adoption of the Budget Year 2011-2012 Proposed Budget on June 7, 2011 at 9:05 a.m., and continue to June 8, 2011 at 9:00 a.m., and June 9, 2011 at 9:00 a.m., if necessary; direct the Clerk of the Board to advertise the public hearing; and, authorize the Clerk of the Board to make appropriate changes to the public notice if fee increases are proposed as part of the budget process.

FISCAL IMPACT: (Continued)

This Third Quarter Report for 2010-2011 includes an overall recommended appropriation increase for all funds of \$17,604,152. The report recommends an overall increase in departmental revenue of \$10,918,644, including County Match, resulting in an increased use of an additional \$6,685,508 in departmental fund balance/retained earnings.

A total of \$122,085 is recommended to be transferred from Appropriations for Contingencies to fully fund the County's obligation under the North McHenry Revenue sharing agreement with the City of Modesto and an increase in the Civil Grand Jury Fees. The total transfer from Appropriations for Contingencies, including what was approved at mid-year will leave a total remaining balance in the Appropriation for Contingencies budget of \$4,523,105. A four-fifths vote of the Board of Supervisors is required for all transfers from the Appropriations for Contingencies budget.

Consideration and Approval of the Third Quarter Financial Report for Fiscal Year 2010-2011, Transfers from Appropriations for Contingencies, Adjustments to the Budget, Staffing Changes, and Set a Public Hearing on June 7, 2011 at 9:05 a.m., for the Consideration and Adoption of the Budget Year 2011-2012 Proposed Budget

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| | Recommended Appropriations | Recommended Revenue | Recommended Fund Balance/ Retained Earnings | Appropriations for Contingencies |
|---|----------------------------|----------------------|---|----------------------------------|
| A Safe Community | \$ 3,197,488 | \$ 165,000 | \$ 3,032,488 | \$ 4,500 |
| A Healthy Community | 14,411,164 | 11,408,644 | 3,002,520 | - |
| A Strong Local Economy | - | - | - | - |
| A Strong Agricultural Economy/Heritage | - | - | - | - |
| A Well-Planned Infrastructure System | - | - | - | - |
| Efficient Delivery of Public Services | (4,500) | (655,000) | 650,500 | 117,585 |
| Total | \$ 17,604,152 | \$ 10,918,644 | \$ 6,685,508 | \$ 122,085 |

DISCUSSION:

Each year, in addition to the Proposed Budget and the Final Budget, the First Quarter, and Mid-Year Financial Report, the Chief Executive Office prepares and submits to the Board of Supervisors a Third Quarter Financial Report, outlining the current fiscal condition as well as projecting the financial condition of the County through the end of the fiscal year. Included in this Third Quarter Financial Report are discussions about discretionary revenue and recommended budget adjustments.

In light of the fiscal issues the County is facing in Budget Year 2011-2012 and beyond, the 2010-2011 Third Quarter Financial Report will also be used to provide the Board of Supervisors a preview of the upcoming 2011-2012 Proposed Budget.

The 2010-2011 Third Quarter Financial Report is organized by the seven Board of Supervisors Priorities of:

- **A Safe Community;**
- **A Healthy Community;**
- **A Strong Local Economy;**
- **Effective Partnerships;**
- **A Strong Agricultural Economy/Heritage;**
- **A Well Planned Infrastructure System; and**
- **Efficient Delivery of Public Services.**

Summary and Recommendations

The following discussion summarizes the major adjustments recommended in the Third Quarter Financial Report by Board of Supervisors Priority. All recommended adjustments are described in detail in the report.

A Safe Community: Overall, appropriations are recommended to increase by \$3,197,488 and estimated revenue is expected to increase by \$165,000. This increase in appropriations is funded by the use of \$3,032,488 in fund balance/retained earnings and a transfer of up to \$4,500 from Appropriations for Contingencies.

A recommendation is included for the Chief Executive Office-Criminal Justice Facilities Fund budget to increase appropriations by \$2,732,528 in Operating Transfers Out funded from fund balance to the Juvenile Commitment Center as part of the financing approved by the Board of Supervisors on December 21, 2010.

A recommendation is included for the Chief Executive Office-County Court Funding to increase appropriations and estimated revenue up to \$105,000 as needed before the end of Fiscal Year 2010-2011 to cover increased State maintenance of effort costs.

A recommendation is included for the Grand Jury to increase appropriations up to \$4,500 to fund Civil Grand Jury Fees funded by a transfer from Appropriations for Contingencies.

A recommendation is included for the Sheriff to increase appropriations and estimated revenue by \$60,000 to purchase a replacement motorcycle for the City of Patterson and to purchase a vehicle for the Detention Civil Division. It is also recommended to increase appropriations by \$25,000 to enable a transfer of fund balance from a special revenue fund to the General Fund to complete the purchase of the vehicle for the Civil Division.

A Healthy Community: Overall, appropriations and estimated revenue are recommended to increase by \$14,411,164 and \$11,408,644 respectively, and will result in the use of \$3,002,520 of departmental fund balance/retained earnings.

A recommendation is included for Area Agency on Aging to increase appropriations and estimated revenue by \$181,832, due to additional Federal funding for senior services.

A recommendation is included for Child Support Services to transfer \$400,000 from its departmental contingencies fund to fund two performance improvement projects for the purpose of increasing collections on child support obligations.

A recommendation is included for Community Services Agency to increase appropriations by \$9,549,332 and estimated revenue by \$8,886,812, resulting in the additional use of \$662,520 in departmental fund balance. A significant portion of this increase is related to IHSS provider wages and benefits.

A recommendation is included in the Health Services Agency Indigent Health Care Program budget to increase funding for the Medically Indigent Adult program by \$2,340,000, to be funded by a transfer of fund balance from the Clinics and Ancillary Services budget.

A Strong Local Economy: Overall, appropriations and estimated revenue are projected to meet budget at year-end.

A Strong Agricultural Economy/Heritage: Overall, appropriations and estimated revenue are projected to meet budget at year-end.

A Well Planned Infrastructure System: Overall, appropriations and estimated revenue are projected to meet budget at year-end.

Efficient Delivery of Public Services: Overall, appropriations and estimated revenue for Efficient Delivery of Public Services are recommended to decrease by \$4,500 and \$655,000 respectively. Included in the adjustment is a transfer of \$122,085 from Appropriations for Contingencies that is being recommended for the CEO-General Fund Contribution to Other Programs for the North McHenry tax sharing agreement with the City of Modesto and for the Grand Jury to fund the Civil Grand Jury Fees. Use of Appropriations for Contingencies requires a four-fifths vote of the Board of Supervisors.

A recommendation is included for the Chief Executive Office - Risk Management Division to decrease estimated revenue by \$600,000, resulting in an increased use of \$600,000 in retained earnings due to insurance reimbursement revenue not materializing as anticipated in the Final Budget. This action will result in an increase in the current retained earnings deficit in the General Liability fund, which will be recovered in future budget years.

A recommendation is included for the General Services Agency to decrease estimated revenue by \$55,000 in GSA-Fleet Services which will be funded by retained earnings. It is further recommended to transfer appropriations of \$94,965 from the GSA Purchasing budget to the GSA Facilities Maintenance budget to fund a projected revenue loss and give authority to the GSA to use additional savings in the GSA Purchasing budget to offset any further shortfall the GSA Facilities Maintenance budget may experience at year-end.

A recommendation is included in the CEO-General Fund Contribution to Other Programs budget to increase the County contribution for the Stanislaus County Animal Services Agency by \$11,822 to fully fund the County contribution in accordance with the Joint Powers Agreement. This increase is offset by a corresponding reduction in funding for the CEO-Department of Justice Alcohol and Drug program.

Discretionary Revenue

As of the end of third quarter, actual discretionary revenue was \$78.8 million compared to \$79.0 million for the same time period one year ago.

Projected revenue for year-end, at \$143.8 million, is slightly less than the \$144.2 million mid-year projection and marginally lower than the final budgeted amount of \$143.9 million. Interest earned on the County's pooled cash is coming in weaker than

Consideration and Approval of the Third Quarter Financial Report for Fiscal Year 2010-2011, Transfers from Appropriations for Contingencies, Adjustments to the Budget, Staffing Changes, and Set a Public Hearing on June 7, 2011 at 9:05 a.m., for the Consideration and Adoption of the Budget Year 2011-2012 Proposed Budget
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anticipated at mid-year and is the primary reason for the difference in mid-year and third quarter projections. There has been a gradual increase in sales tax collections. Primarily, gains in the ½% statewide Public Safety sales tax pool (Proposition 172) have mitigated some of the weaker discretionary sources. There is no adjustment to discretionary revenue recommended with this Third Quarter Report.

The following chart summarizes the projections to year-end:

| Discretionary Revenue Description | Fiscal Year 2010-2011 Final Budget | Mid-Year 2010-2011 Projections | 3rd Quarter 2010-2011 Projections | Difference between Mid-Year & 3rd Q Projections |
|-----------------------------------|------------------------------------|--------------------------------|-----------------------------------|---|
| Taxes | \$ 101,593,000 | \$ 101,063,034 | \$ 101,057,034 | \$ (6,000) |
| Licenses, Permits & Franchises | 957,000 | 957,000 | 957,000 | - |
| Fines, Forfeitures & Penalties | 6,425,000 | 6,100,000 | 6,100,000 | - |
| Revenue from Use of Money | 2,542,000 | 2,809,220 | 1,531,000 | (1,278,220) |
| Intergovernmental Revenue | 30,371,000 | 30,474,148 | 31,465,280 | 991,132 |
| Charges for Services | (454,000) | (454,000) | (428,587) | 25,413 |
| Miscellaneous Revenues | 166,000 | 166,000 | 125,343 | (40,657) |
| Other Financing Sources | 2,308,000 | 3,051,111 | 3,051,111 | - |
| Total | \$ 143,908,000 | \$ 144,166,513 | \$ 143,858,181 | \$ (308,332) |

2010-2011 and Beyond – Addressing the Challenge – Budget Strategy

The County has taken proactive measures to respond to a deteriorating economy and declining revenue. As a result, the County took a very cautionary approach when establishing the Fiscal Year 2010-2011 spending plan. Additional actions to control costs were taken including the implementation of a hiring freeze, reductions-in-force, employee furloughs, and expense control through contract reductions and limiting overtime and travel.

State Budget Update and Potential Impacts to Stanislaus County

The budget environment in the State of California continues to be extremely volatile. Local impacts of State budget actions, or inaction, are still difficult to measure although some can be quantified. Major impacts of the enacted budget strategies in Sacramento and/or loss of Vehicle License Fees and funding from tax extensions are anticipated for the Sheriff, Probation, and the District Attorney.

The State will begin diverting an estimated \$8.5 million of the Children and Families Commission's reserves to the State General Fund in Budget Year 2011-2012. This reflects approximately 60% of the Commission's anticipated June 30, 2011 fund balance. The Commission plans to use its remaining fund balance to maintain its current community support and funding through Budget Year 2011-2012. However, in the 2012-2013 Budget Year, the Commission's community support and funding will have to be significantly reduced by approximately 50%.

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Unemployment and General Liability

Charges to departments in Budget Year 2011-2012 have increased in unemployment and general liability. Unemployment charges are \$350 per employee, compared to \$325 in Fiscal Year 2010-2011. Claims have increased in the last two fiscal years due primarily to the locally-funded Federal extensions. It is anticipated that more claims will be filed in Budget Year 2011-2012 due to expected reductions-in-force throughout the County. In addition, costs for the General Liability Self-Insurance Fund have increased from \$2.3 million in Fiscal Year 2007-2008 to \$8.5 million in 2009-2010, due to the increased number and severity of the cases brought against the County in the last three years. Costs for several significant litigated cases are also included in the fund for Budget Year 2011-2012, however, it is uncertain whether the amount of this funding will be sufficient for those cases during the fiscal year.

Health and Human Services

In the Community Services Agency, significant exposures exist in the In-Home Supportive Services (IHSS) program. It is projected that the IHSS program will have a General Fund shortfall of \$2.1 million in Budget Year 2011-2012, due to the expiration of the enhanced Federal Medicaid Assistance Percentage (FMAP) on June 30, 2011. In Public Economic Assistance, due to increased case loads in Cash Aid/Welfare programs and General Assistance, the Department anticipates an exposure of \$2.0 million.

The Health Services Agency continues to face funding challenges in its Clinics and Ancillary Services Division. As part of the 2010-2011 Adopted Proposed Budget, the Health Services Agency identified a significant exposure of \$2.3 million in the current year for the Medically Indigent Adult (MIA) program. The Health Services Agency is requesting to use previous years' one-time savings in the HSA Clinics and Ancillary Services budget to fund the 2010-2011 projected deficit in the Agency's IHCP Program. Regardless of the funding levels, MIA services are mandated and the County is required to provide or arrange for the provision of medical services for the indigent residents of the County. There is no new external revenue anticipated to offset these costs in Budget Year 2011-2012, therefore, the Department anticipates an exposure of over \$2.9 million.

Retirement 2011-2012

On March 22, 2011 the Stanislaus County Employees Retirement Association Board (StanCERA) authorized the transfer of \$12.6 million from non-valuation reserves to offset a portion of the County's retirement costs for the 2011-2012 Budget Year, however, an exposure remains with projected retirement rate increases in Budget Year 2012-2013.

On December 21, 2010, the Board of Supervisors approved a modification of retirement benefits for certain employees, reducing benefit levels to the former Tier Two retirement

benefit structure which was in place prior to March 2002. The December 21, 2010 Board action affected employees hired after December 31, 2010 in unrepresented classifications and 10 of the 15 County bargaining units. On April 26, 2011 the Board took action to approve the placement of the balance of the County bargaining units into the reduced benefit formula, again affecting only employees hired after December 31, 2010. This will result in long-term retirement cost savings to the County.

Evaluation of Contract Services

Current County policy requires Board of Supervisors approval for any contract or agreement where the total cumulative compensation exceeds \$100,000. Cumulative refers to the total compensation paid by an individual department in the reporting year and the two fiscal years immediately prior thereto, where there has been no break in contractual services over six months. Contracts or agreements and/or contract adjustments not previously approved by the Board of Supervisors equal to \$100,000 or greater are detailed in Attachment B.

In addition, departments are required to provide a quarterly report to the Board of Supervisors for any new contract or agreement, contract extension, or amendment entered into during the quarter where the compensation exceeds \$50,000 (but is under the cumulative \$100,000 threshold) and the contract or recommended adjustment has not been previously approved by the Board of Supervisors. Contracts in the \$50,000 range are listed in Attachment C.

POLICY ISSUES:

In order to ensure all funds end the fiscal year in a positive position, the Board of Supervisors should evaluate the recommendations included in the attached Third Quarter Financial Report for compliance with the Board of Supervisors stated priorities of ensuring **A Safe Community, A Healthy Community, A Strong Local Economy, Effective Partnerships, A Strong Agricultural Economy/Heritage, A Well Planned Infrastructure System and Efficient Delivery of Public Services.**

Consideration and Approval of the Third Quarter Financial Report for Fiscal Year 2010-2011, Transfers from Appropriations for Contingencies, Adjustments to the Budget, Staffing Changes, and Set a Public Hearing on June 7, 2011 at 9:05 a.m., for the Consideration and Adoption of the Budget Year 2011-2012 Proposed Budget

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STAFFING IMPACTS:

The Third Quarter Financial Report recommends a decrease in the number of funded positions from 3,614 to 3,607. Four departments have requested to unfund a total of seven vacant positions. There are no other staffing requests affecting the County position allocation count. In addition, this report recommends classification changes to existing County positions. These recommendations are the result of classification studies completed this past budget cycle for requests made in previous budgets. These recommendations are made to ensure that employees are properly classified for the work they perform. The summary below reflects the specific Third Quarter staffing recommendations:

| | |
|---|-------------|
| TOTAL CURRENT AUTHORIZED POSITIONS | 3614 |
| Unfund Vacant Position | -7 |
| Total Changes to Position Allocation Report | -7 |
| RECOMMENDED AUTHORIZED POSITIONS | 3607 |

RECOMMENDATIONS AFFECTING POSITION ALLOCATION COUNT

| Department | Unfund Vacant Positions Subtotal |
|---------------------------|----------------------------------|
| Alliance Worknet | -2 |
| General Services Agency | -2 |
| Sheriff | -1 |
| Stanislaus Regional 9-1-1 | -2 |
| Grand Total | -7 |

TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION

| Department | Reclassify Upward | Transfer In | Transfer Out |
|------------------------|-------------------|-------------|--------------|
| Auditor-Controller | 1 | - | - |
| Health Services Agency | 1 | - | - |
| Sheriff | - | 2 | -2 |
| Grand Total | 2 | 2 | -2 |

The staffing attachment (Attachment A) reflects the changes to authorized positions recommended as part of the Third Quarter Financial Report. It is recommended that the Salary and Position Allocation Resolution be amended to reflect these changes effective the start of the May 7, 2011 pay period, unless otherwise noted.

CONTACT PERSON:

Richard W. Robinson, Chief Executive Officer. (209) 525-6333

STAFFING RECOMMENDATIONS

FISCAL YEAR 2010-2011 THIRD QUARTER BUDGET--ATTACHMENT A

| DEPARTMENT | BUDGET UNIT | POSITIONS | POSITION NUMBER | CLASSIFICATION | REQUEST | RECOMMENDATION |
|--|------------------------------|--------------|-----------------|-------------------------|-------------------|----------------------------|
| Alliance Worknet | Alliance Worknet | -1 | 7562 | Storekeeper II | Unfund vacancy | Unfund vacant position |
| | | -1 | 8627 | Administrative Clerk II | Unfund vacancy | Unfund vacant position |
| Auditor Controller | Auditor Controller | 0 | 3258 | Administrative Clerk II | Reclassify upward | Accounting Technician |
| General Services Agency | Fleet Services | -1 | 11741 | Storekeeper I | Unfund vacancy | Unfund vacant position |
| | Purchasing Division | -1 | 11490 | Sr Buyer | Unfund vacancy | Unfund vacant position |
| Health Services Agency | Indigent Health Care Program | 0 | 3387 | Administrative Clerk II | Reclassify upward | Account Clerk II |
| Sheriff | Administration | 1 | 6649 | Deputy Sheriff | Transfer in | Transfer from Operations |
| | Cal-MMET | -1 | 10223 | Sergeant | Transfer out | Transfer to Operations |
| | Inmate Welfare | -1 | 3364 | Storekeeper II | Unfund vacancy | Unfund vacant position |
| | Operations | -1 | 6649 | Deputy Sheriff | Transfer out | Transfer to Administration |
| | | 1 | 10223 | Sergeant | Transfer in | Transfer from Cal-MMET |
| Stanislaus Regional 9-1-1 | Stanislaus Regional 9-1-1 | -2 | 2342, 2345 | Emergency Dispatcher | Unfund vacancies | Unfund vacant positions |
| CHANGES TO POSITION ALLOCATION REPORT | | -7 | | | | |
| TOTAL CURRENT AUTHORIZED POSITIONS | | 3,614 | | | | |
| Unfund Vacant Position | | -7 | | | | |
| RECOMMENDED AUTHORIZED POSITIONS | | 3,607 | | | | |

**Contract Summary Sheet
All Funds
Contracts over \$100,000**

Attachment B

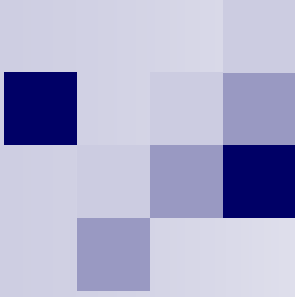
| Department | Budget Unit | Contractor | Brief Description of Service Provided or Position Held | Previous contractual amount | Proposed Contract Amount | Cumulative Contract Total |
|------------------------------|--|--|--|--------------------------------|---|---------------------------|
| CEO-Risk Management Division | Risk Management Professional Liability Self-Insurance Fund | Porter Scott | Legal Services | N/A | \$220,000 4/1/11 - 6/30/11 | \$220,000 |
| Community Services Agency | Services and Support | International Rescue Committee | Refugee Social Service | \$662,500 11/4/09-6/30/11 | \$39,277 7/1/10-6/30/11 Increase current contract | \$701,777 |
| Community Services Agency | Services and Support | Children's Crisis Center | Respite and Parent Support and Visitation | \$33,148 10/1/10-6/30/11 | \$5,525 4/1/11-6/30/11 Increase current contract and change Scope of Work | \$38,673 |
| Community Services Agency | Services and Support | Sierra Vista Child and Family Services | Counseling | \$1,029,763 7/1/08-6/30/011 | \$55,000 7/1/10-6/30/11 Increase current contract | \$1,084,763 |

Contract Summary Sheet
All Funds
Contracts between \$50,000-\$100,000

Attachment C

| Department | Budget Unit | Contractor | Brief Description of Service Provided or Position Held | Previous contractual amount | Proposed Contract Amount | Cumulative Contract Total |
|------------------------------|--|---|--|-----------------------------|---|---------------------------|
| CEO-Risk Management Division | Risk Management Purchased Self-Insurance Fund | Sidles Duncan & Associates | Consulting Services | \$7,406 7/1/09-6/30/10 | \$90,000 7/1/10-6/30/11 | \$97,406 |
| CEO-Risk Management Division | Risk Management General Liability Self-Insurance | Renne Sloan Holtzman Sakai LLP | Legal Services | N/A | \$100,000 4/1/11-6/30/12 | \$100,000 |
| Environmental Resources | Environmental Resources | Mainstay Business Solutions | Waste & House hold Facility Workers | \$30,002 3/01/09-6/30/10 | \$36,000 increase contract; 4/11 - no expiration date | \$66,002 |
| Parks and Recreation | Parks and Recreation | Amerine Systems | Electrical Upgrade at Hackberry | N/A | \$50,064 3/7/11-3/23/11 | \$50,064 |
| Community Services Agency | Services and Support | Caporicci & Larsen, Inc. | Child Care Audit | \$62,000 6/1/08-12/31/10 | \$22,000 5/4/11-12/31/11 | \$84,000 |
| Community Services Agency | Services and Support | California Rural Legal Assistance | Legal Assistance | \$72,500 7/1/08-6/30/11 | \$15,000 7/1/10-6/30/11 Increase current contract | \$87,500 |
| Community Services Agency | Services and Support | National Council on Crime and Delinquency | SafeMeasures | N/A | \$84,446 5/1/11-6/30/13 | \$84,446 |
| Community Services Agency | Services and Support | Telcion Communications Group a.k.a Netlogic, Inc. | IP Call Center | N/A | \$79,276 4/6/11-6/30/11 | \$79,276 |
| Community Services Agency | Services and Support | Telcion Communications Group a.k.a Netlogic, Inc. | VoIP Telephone System for West Side Service Center | N/A | \$3,959 4/4/11-6/30/11 | \$3,959 |

Note: Contract totals listed that are less than \$50,000 represent separate contracts where total contracted services with vendor exceed \$50,000



Third Quarter Financial Report July 2010 — March 2011

BOARD OF SUPERVISORS

Dick Monteith, Chairman
William O'Brien
Vito Chiesa
Terry Withrow
Jim DeMartini

Submitted by
Chief Executive Officer
Richard W. Robinson



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Introduction

This is the Chief Executive Office's Third Quarter Financial Report for the period of July 2010-March 2011 for the 2010-2011 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 2010.

While the Third Quarter Report primarily deals with the status of the County's budget as of March 31, 2011, it includes a look forward at the significant budget challenges facing the State of California and county government. The County anticipates declining revenues from property related revenue, reductions in social services funding and the impact to the County from the significant budget challenges facing the State of California. The County continues to look at strategies to assure a balanced budget in Budget Years 2011-2012 through 2014-2015.

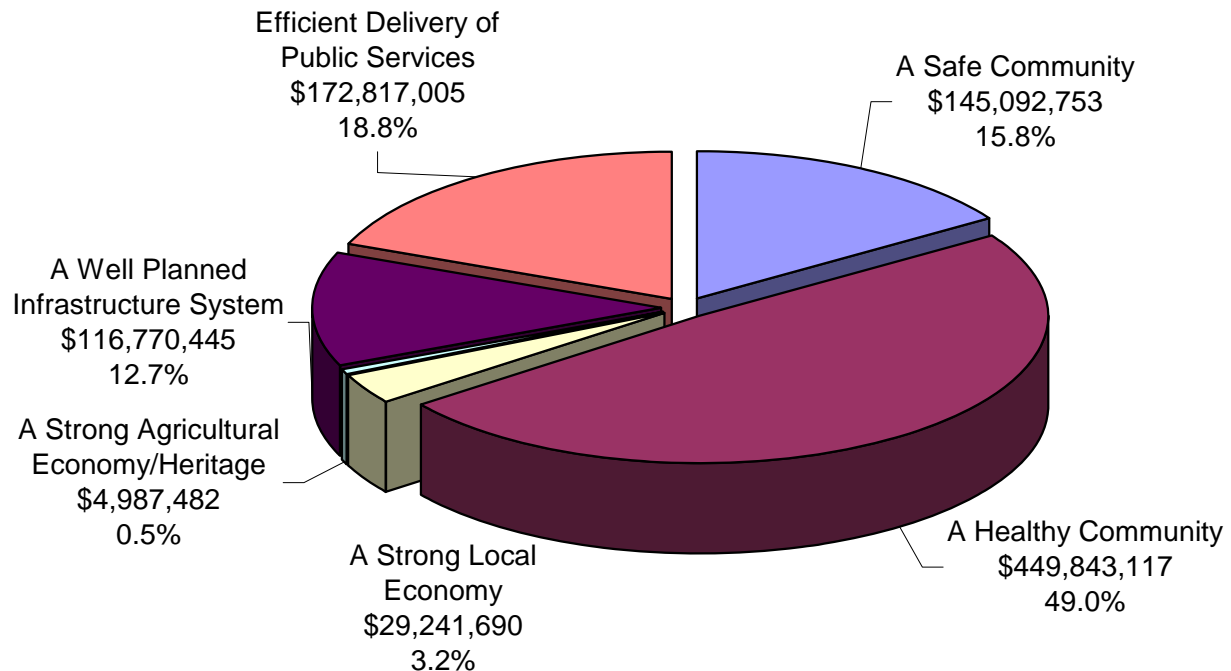
Summary

On September 14, 2010 the Board of Supervisors adopted the Fiscal Year 2010-2011 Final Budget for Stanislaus County. This spending plan of \$918,752,492 for all funds reflected an increase of \$6,361,533 or a 1% increase over the 2010-2011 Adopted Proposed Budget and a 4% decrease from the previous years 2009-2010 Adopted Final Budget. The Adopted Final Budget was balanced using a combination of \$878,533,421 in revenue and \$40,219,071 in fund balance and one-time funding sources.

The County's 2010-2011 Final Adopted General Fund budget totaled \$237,011,466, an increase of \$21,070 from the Adopted Proposed Budget adopted in June 2010 and a 5% decrease from the 2009-2010 Adopted Final Budget. The Adopted Final Budget for Fiscal Year 2010-2011 included \$4.6 million in appropriations for contingency funds for future exposures.

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

Fiscal Year 2010-2011
Final Budget Expenditures by Board Priority
\$918,752,492



BUDGET OVERVIEW

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

Overall Summary of First Quarter and Mid-Year Adjustments--

The 2010-2011 First Quarter Financial Report presented on November 2, 2010 included a fiscal review of department budgets and reflected minor recommended adjustments resulting in little change to the County's spending plan. The Chief Executive Office recommended approval of all requested first quarter adjustments as they were funded by non-general fund sources. The recommendations decreased appropriations by \$31,370 and estimated revenue by \$108,552 resulting in an increase in the use of fund balance/retained earnings of \$77,182.

The recommended changes were primarily within the Chief Executive Office (CEO)-Criminal Justice Facilities Fund and the General Services Agency. In the CEO-Criminal Justice Facilities Fund, appropriations were increased \$53,000 to fund six months of the Salida substation lease costs funded by departmental fund balance. This funding was aligned to the actual start date of the Day Reporting Center, a collaboration between the Sheriff's Department and Probation Department. In the General Services

Agency, a restructuring of the Central Services Division was implemented. The restructuring included the elimination of print services as a support function provided to County departments. The Department also implemented an Electronic Data Management (EDM) Program as a new core function of the warehouse/salvage unit. This resulted in a decrease in appropriations and estimated revenue by \$50,033 and \$74,215 respectively, along with an increase in the use of retained earnings of \$24,182 to purchase or lease equipment necessary for the document scanning and archival services.

The 2010-2011 Mid-Year Financial Report presented on March 1, 2011 included a fiscal review of departmental budgets, reflected recommended adjustments and a cash analysis, by fund, at mid-year. The Chief Executive Office's mid-year recommendations included an overall increase in appropriations of \$1,075,403, an increase in estimated revenue of \$665,103 (including County Match), which resulted in an increased use of \$410,300 in fund balance/retained earnings. Also recommended were transfers from Appropriations for Contingencies totaling \$3,973 to fund the Civil Grand Jury.

The most substantial recommended changes were primarily within the Alliance Worknet and the Community Services Agency. Also approved were other adjustments within Behavioral Health and Recovery Services, Health Services Agency, Planning and Community Development, Public Defender, and the Sheriff's Department. In Alliance Worknet, appropriations and estimated revenue were increased \$1,927,497 for the StanWORKs program to reflect an increase in State and Federal funding to the Community Services Agency. In the Community Services Agency, appropriations and estimated revenue were decreased \$2,981,120 and \$3,235,609 attributable to a decrease in caseload and funding in the Child Care Stages program. Also approved as part of the Mid-Year Financial Report were adjustments in Behavioral Health and Recovery Services for the Children's System of Care program; in Health Services Agency for uncompensated emergency medical services payments; in Planning and Community Development for a transfer into Redevelopment Agency Housing Set Aside; in the Public Defender from Indigent Defense and in the Sheriff's Department for Contract Cities (Riverbank, Hughson and Waterford).

As part of the Mid-Year Financial Report, discretionary revenue projections were re-evaluated and 28.3% had posted to the General Fund discretionary revenue accounts that were within the common range when assessing the year-end position. As such, there was no adjustment as part of the mid-year review since projected revenue was only marginally higher than the final budgeted amount.

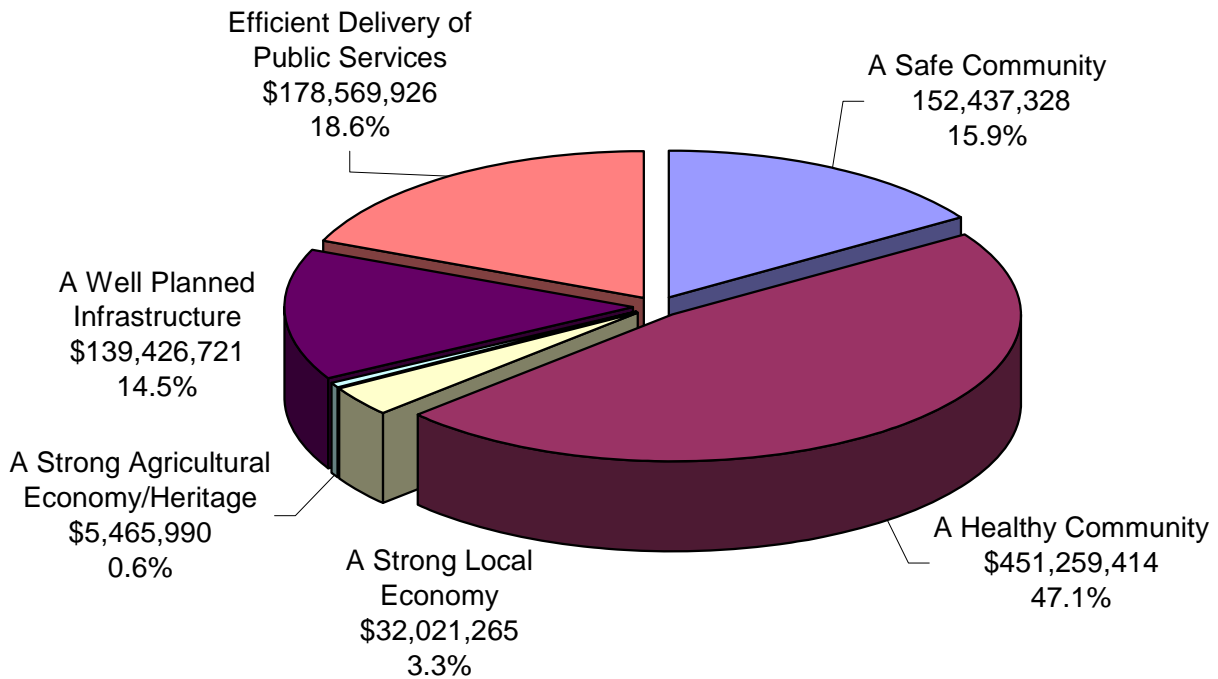
Summary of Budget Adjustments

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 is assigned 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 and Mid-Year Financial Reports or in separate Board of Supervisors action agenda items. The sum of these adjustments through March 31, 2011 total \$40,428,152. This reflects \$26,453,442 in funding that was carried forward and \$13,974,710 in budget adjustments approved by the Board of Supervisors in the current fiscal year through March 2011.

The result of these adjustments made prior to the third quarter review increased the total County budget to \$959 million in available spending authority in the current fiscal year.

The following chart reflects the adjusted budget by Board of Supervisors priority as of March 31, 2011:

**Fiscal Year 2010-2011 Adjusted Budget
Expenditure by Board Priority
\$959,180,644 as of March 31, 2011**



Overall Summary of Requested Third Quarter Adjustments

The 2010-2011 Third Quarter Financial Report reflects recommended adjustments, and a fiscal review of departmental budgets:

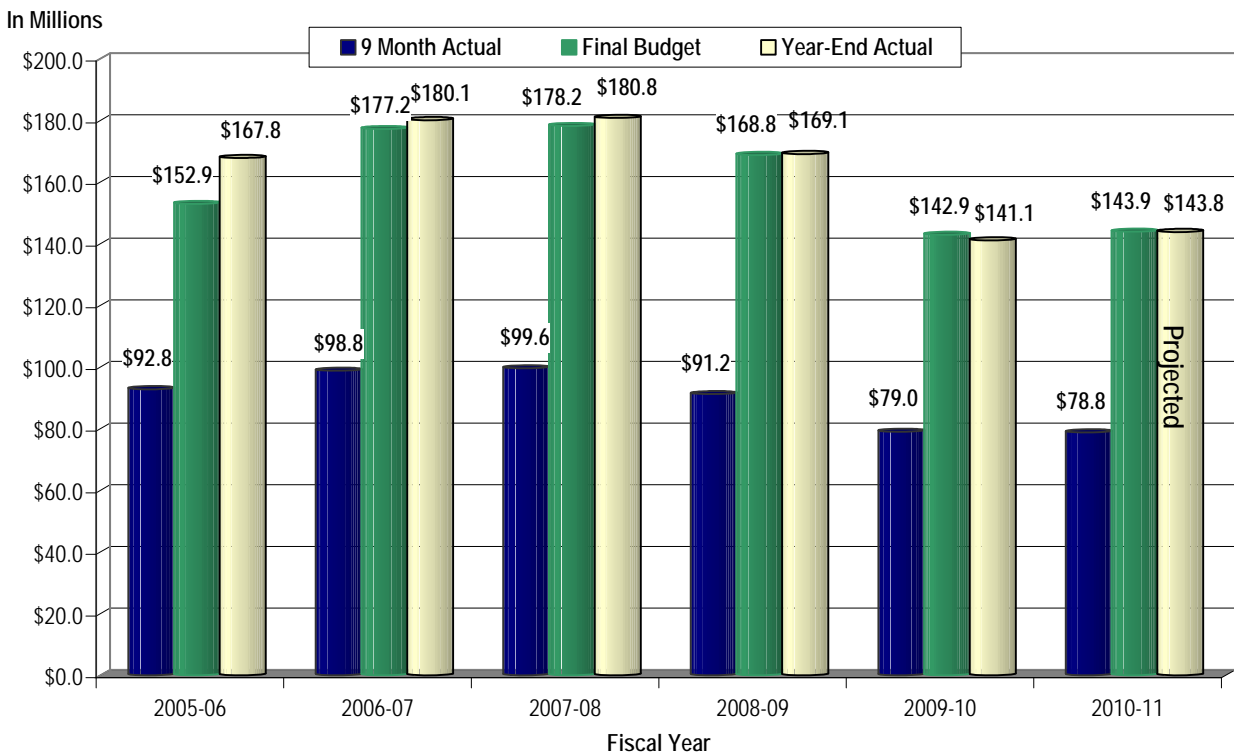
- ◆ Departments requested a total of \$ 17.8 million in net increase to the current year spending plan;
- ◆ The Chief Executive Office's third quarter recommendations include a total increase in appropriations of \$17.604,152 million funded by increased revenue and the use of fund balance/retained earnings. While individual budgets may have decreased revenue, the recommendations include an overall increase in estimated revenue of \$10,918,644, including County Match, resulting in an increased use of fund balance/retained earnings of \$6,685,508; and
- ◆ Also recommended are transfers from Appropriations for Contingencies totaling \$122,085 to fully fund the County's obligation under the North McHenry Revenue sharing agreement with the City of Modesto and an increase in the Civil Grand Jury fees.

GENERAL FUND UPDATE

Discretionary Revenue

As of the end of third quarter, actual discretionary revenue was \$78.8 million compared to \$79 million for the same time period one year ago. This amount represents 54.8% of the Fiscal Year 2010-2011 Final Budget. Typically, discretionary revenue at this point of the fiscal year ranges from 54% to 60.7% of the Final Budget and from 53.9% to 56% of total year actual collections when looking at the prior five years. This comparison indicates that discretionary revenue is within the typical range when comparing to both budget and actual year-end collections. The following chart reflects a comparison over a six-year period of third quarter activity:

General Fund—Discretionary Revenue Six Year Comparison



Projected revenue for year-end, at \$143.8 million, is slightly less than the \$144.2 million mid-year projection and marginally lower than the final budgeted amount of \$143.9 million. Interest earned on the County's pooled cash is coming in weaker than anticipated at mid-year and is the primary reason for the difference in mid-year and third quarter projections. One of the few bright spots among discretionary sources is the gradual increase in sales tax collections. Primarily, gains in the ½% statewide Public Safety sales tax pool (Proposition 172) have mitigated some of the weaker discretionary sources. Currently there is no reason to recommend an adjustment to discretionary revenue with this Third Quarter Report.

| Discretionary Revenue Description | Fiscal Year 2010-2011 Final Budget | Mid-Year 2010-2011 Projections | 3rd Quarter 2010-2011 Projections | Difference between Mid-Year & 3rd Q Projections |
|-----------------------------------|------------------------------------|--------------------------------|-----------------------------------|---|
| Taxes | \$ 101,593,000 | \$ 101,063,034 | \$ 101,057,034 | \$ (6,000) |
| Licenses, Permits & Franchises | 957,000 | 957,000 | 957,000 | - |
| Fines, Forfeitures & Penalties | 6,425,000 | 6,100,000 | 6,100,000 | - |
| Revenue from Use of Money | 2,542,000 | 2,809,220 | 1,531,000 | (1,278,220) |
| Intergovernmental Revenue | 30,371,000 | 30,474,148 | 31,465,280 | 991,132 |
| Charges for Services | (454,000) | (454,000) | (428,587) | 25,413 |
| Miscellaneous Revenues | 166,000 | 166,000 | 125,343 | (40,657) |
| Other Financing Sources | 2,308,000 | 3,051,111 | 3,051,111 | - |
| Total | \$ 143,908,000 | \$ 144,166,513 | \$ 143,858,181 | \$ (308,332) |

General Fund – Classification of Fund Balance

The fund balance of the General Fund is separated into five classifications: Non-spendable, Restricted, Committed, Assigned and Unassigned. Non-spendable, Restricted and Committed are the most restrictive classifications and are legally or contractually obligated portions of fund balance. Unassigned is the least restrictive category and is technically available for any purpose. The Chief Executive Office was granted authorization by the Board of Supervisors to assign portions of the Unassigned fund balance for specific purposes such as debt service, carryover appropriations, contingencies and budget balancing.

Aside from changes to the Non-spendable classification for fair value adjustment and prepaid items, \$36,715 from the Contingencies account of the Assigned fund balance was used in the current year as part of an approved action item from July 10, 2007. This item authorizes incremental transfers of contingency funds to Stanislaus Regional 911 as a loan for the project costs associated with the purchase and implementation of the new Computer Aided Dispatch (CAD) 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.

At Mid-Year the Board of Supervisors authorized the use of up to \$112,633 of Committed funds for use by the Public Defender's office to reimburse costs associated with a change of venue capital murder trial. The Board had previously authorized the commitment of funds for this trial upon approval of the Fiscal Year 2009-2010 Final Budget.

Including the recommendations made in the Third Quarter Report, the adjusted General Fund budget would stand at \$247,686,411 with offsetting revenue of \$223,599,548, a shortfall of \$24,086,863. Several of the Assigned fund balance accounts are used in the balancing of the 2010-2011 budget and the Chief Executive Office will authorize re-assignment as necessary as year-end approaches. Following is a summary of the fund balance through March 31, 2011, with a detail of the accounts used in balancing the General Fund.

PLEASE SEE AMENDED PAGE 9

| | 2010-2011 Final Budget Fund Balance Classification | Adjustments as of 03/31/2011 | 2010-2011 Fund Balance Classification at 03/31/2011 | 2010-2011 Budget balancing strategies | Projected Fund Balance as of June 30, 2011 |
|---------------------------------------|---|------------------------------------|--|--|--|
| Fund Balance - Nonspendable: | | | | | |
| Fund 100 - Fair value adjustment | 807,992 | 55 | 808,047 | - | 808,047 |
| Fund 105 - Fair value adjustment | 13,578 | - | 13,578 | - | 13,578 |
| Fund 107 - Fair value adjustment | 11,997 | - | 11,997 | - | 11,997 |
| Imprest Cash | 91,845 | - | 91,845 | - | 91,845 |
| Advances to other funds | 500,000 | - | 500,000 | - | 500,000 |
| Advances to other governments | 311,239 | - | 311,239 | - | 311,239 |
| Economic Development advances | 3,454,115 | - | 3,454,115 | - | 3,454,115 |
| Teeter receivable | 22,233,301 | - | 22,233,301 | - | 22,233,301 |
| Deposits with others | 10,000 | - | 10,000 | - | 10,000 |
| Prepaid items | 220,925 | (220,925) | - | - | - |
| Sub-total | \$ 27,654,992 | \$ (220,870) | \$ 27,434,122 | \$ - | \$ 27,434,122 |
| Fund Balance - Restricted: | | | | | |
| Tax Loss Reserve | 4,169,660 | - | 4,169,660 | - | 4,169,660 |
| Sub-total | \$ 4,169,660 | \$ - | \$ 4,169,660 | \$ - | \$ 4,169,660 |
| Fund Balance - Committed: | | | | | |
| Various Programs and Projects | 6,138,282 | - | 6,138,282 | (112,633) | 6,025,649 |
| Capital Acquisition | 1,300,000 | - | 1,300,000 | - | 1,300,000 |
| Sub-total | \$ 7,438,282 | \$ - | \$ 7,438,282 | \$ (112,633) | \$ 13,351,298 |
| Fund Balance - Assigned: | | | | | |
| Contingencies | 4,091,493 | (36,715) | 4,054,778 | - | 4,054,778 |
| Tobacco Settlement and Securitization | 1,876,351 | - | 1,876,351 | - | 1,876,351 |
| Retirement Obligation | 2,000,000 | - | 2,000,000 | - | 2,000,000 |
| Teeter Plan | 20,055,050 | - | 20,055,050 | - | 20,055,050 |
| Carryover Appropriations (100) | 1,949,064 | - | 1,949,064 | (1,949,064) | - |
| Carryover Appropriations (105) | 23,060 | - | 23,060 | (23,060) | - |
| Carryover Appropriations (107) | 171,800 | - | 171,800 | (171,800) | - |
| 75% Carryover Appropriations (100) | 4,879,112 | - | 4,879,112 | (4,879,112) | - |
| Encumbrances | 1,261,520 | - | 1,261,520 | (1,261,520) | - |
| Encumbrances-Econ Development | 1,395,679 | - | 1,395,679 | - | 1,395,679 |
| Debt Service | 10,950,000 | - | 10,950,000 | - | 10,950,000 |
| Budget Balancing | 15,643,578 | - | 15,643,578 | (15,643,578) | - |
| Sub-total | \$ 64,296,707 | \$ (36,715) | \$ 64,259,992 | \$ (23,928,134) | \$ 40,331,858 |
| Fund Balance - Unassigned | | | | | |
| General Fund (100) | 1,134,445 | 257,585 | 1,392,030 | 24,040,767 | 1,233,301 |
| Economic Development Bank (105) | 329,809 | - | 329,809 | - | 329,809 |
| Community Development Bank (107) | 1,392,558 | - | 1,392,558 | - | 1,392,558 |
| Sub-total | \$ 2,856,812 | \$ 257,585 | \$ 3,114,397 | \$ 24,040,767 | \$ 2,955,668 |
| Total Fund Balance | \$ 106,416,453 | \$ - | \$ 106,416,453 | \$ - | \$ 88,242,606 |

AMENDED

B-5

| | 2010-2011 Final Budget Fund Balance Classification | 2010-2011 Approved Changes | Adjusted Fund Balance as of June 30, 2011 |
|---------------------------------------|---|----------------------------------|---|
| Fund Balance - Nonspendable: | | | |
| Fund 100 - Fair value adjustment | 807,992 | 55 | 808,047 |
| Fund 105 - Fair value adjustment | 13,578 | - | 13,578 |
| Fund 107 - Fair value adjustment | 11,997 | - | 11,997 |
| Imprest Cash | 91,845 | - | 91,845 |
| Advances to other funds | 500,000 | - | 500,000 |
| Advances to other governments | 311,239 | - | 311,239 |
| Economic Development advances | 3,454,115 | - | 3,454,115 |
| Teeter receivable | 22,233,301 | - | 22,233,301 |
| Deposits with others | 10,000 | - | 10,000 |
| Prepaid items | 220,925 | (220,925) | - |
| Sub-total | \$ 27,654,992 | \$ (220,870) | \$ 27,434,122 |
| Fund Balance - Restricted: | | | |
| Tax Loss Reserve | 4,169,660 | - | 4,169,660 |
| Sub-total | \$ 4,169,660 | \$ - | \$ 4,169,660 |
| Fund Balance - Committed: | | | |
| Various Programs and Projects | 6,138,282 | (112,633) | 6,025,649 |
| Capital Acquisition | 1,300,000 | - | 1,300,000 |
| Sub-total | \$ 7,438,282 | \$ (112,633) | \$ 7,325,649 |
| Fund Balance - Assigned: | | | |
| Contingencies | 4,091,493 | (36,715) | 4,054,778 |
| Tobacco Settlement and Securitization | 1,876,351 | - | 1,876,351 |
| Retirement Obligation | 2,000,000 | - | 2,000,000 |
| Teeter Plan | 20,055,050 | - | 20,055,050 |
| Carryover Appropriations (100) | 1,949,064 | (1,949,064) | - |
| Carryover Appropriations (105) | 23,060 | (23,060) | - |
| Carryover Appropriations (107) | 171,800 | (171,800) | - |
| 75% Carryover Appropriations (100) | 4,879,112 | (4,879,112) | - |
| Encumbrances | 1,261,520 | (1,261,520) | - |
| Encumbrances-Econ Development | 1,395,679 | - | 1,395,679 |
| Debt Service | 10,950,000 | - | 10,950,000 |
| Budget Balancing | 15,643,578 | (15,643,578) | - |
| Sub-total | \$ 64,296,707 | \$ (23,964,849) | \$ 40,331,858 |
| Fund Balance - Unassigned | | | |
| General Fund (100) | 1,134,445 | 98,856 | 1,233,301 |
| Economic Development Bank (105) | 329,809 | - | 329,809 |
| Community Development Bank (107) | 1,392,558 | - | 1,392,558 |
| Sub-total | \$ 2,856,812 | \$ 98,856 | \$ 2,955,668 |
| Total Fund Balance | \$ 106,416,453 | \$ (24,199,496) | \$ 82,216,957 |

CURRENT ISSUES/CHALLENGES

State Budget Update

The budget environment in the State of California continues to be extremely volatile. Local impacts of State budget actions, or inaction, are still difficult to measure although some can be quantified.

Governor Jerry Brown has attacked a \$26.6 billion budget deficit for Budget Years 2010-2011 and 2011-2012 and has reduced the deficit more than \$11 billion through approved budget actions. A \$15.4 billion budget deficit remains. The Governor continues to pursue an initiative process that would allow State of California voters to weigh in on tax extensions for Vehicle License Fees (VLF), income and sales taxes, which would account for more than \$12 billion in revenue solutions to the budget gap.

So far, the Governor has been unable to gain his desired 2/3 majority vote in the legislature to allow the taxes to go on the State ballot in June. It is the current sentiment that the June deadline has been missed. The Governor has stated he is pursuing alternative options to the initiative, although the idea of a "vote of the people" has not been totally discarded.

Governor Brown is pursuing options including: an "all cuts" budget to make up for the remaining deficit in the absence of revenues; and, signing legislation that directly extends taxes on a temporary basis, then calling for a special election for voters to decide if they want to extend the taxes.

Brown signed 13 budget bills on March 24 which included \$8.2 billion in cuts, \$300 million in revenues and \$2.6 billion in internal borrowing. He also signed AB 109, public safety realignment, on April 5. The bill makes fundamental changes to California's correctional system and realigns certain responsibilities for lower level offenders, adult parolees and juvenile offenders from state to local jurisdictions.

It is thought that Brown will need to issue a "May Revise" budget to reveal how he will balance the remainder of the State deficit, although he could choose to do so earlier.

Budget Year 2011-2012 Anticipated or Potential Impacts to Stanislaus County

Major impacts of the enacted budget strategies in Sacramento and/or loss of VLF and funding from tax extensions are projected for the following areas:

Sheriff's Department

Sheriff's Department staff anticipate a loss of more than \$800,000 in COPS funding as a result of the sunset of taxes on June 31, 2011. Losses are anticipated of at least \$550,000 in booking fees (possibly as high as \$750,000) and revenue loss for programs funded by CalEMA are anticipated to be more than \$755,000.

Probation

The Probation Department will be affected negatively if there is no extension of the VLF devoted to public safety. This loss represents approximately \$650,000 to the Juvenile Hall and \$1.2 million to Field Services. The Field Services revenue supports small caseload supervision of juvenile high-risk offenders. The

Juvenile Hall revenue supports ongoing operational costs and programs for detained juveniles. In both cases, loss of this revenue will force potential reductions in service levels.

District Attorney

District Attorney staff indicate they could lose approximately \$400,000 between the Supplemental Law Enforcement Services Fund (SLESF) (\$100,000) and the Vertical Prosecution Block grant (\$300,000). SLESF funds staff in the investigations department and Vertical Prosecution funds portions of two attorneys and one investigator, who were assigned to Major Narcotic Vendors and Career Criminal prosecution, as well as investigation of child abuse.

Children and Families Commission

The State will begin diverting an estimated \$8.5 million of the Children and Families Commission's reserves to the State General Fund in Budget Year 2011-2012. This reflects approximately 60% of the Commission's anticipated June 30, 2011 fund balance. The Commission plans to use its remaining fund balance after the transfer to maintain its current community support and funding through the 2011-2012 Budget Year. However, on July 1, 2012, the Commission's community support and funding will have to be significantly reduced by approximately 50%.

Community Services Agency

There is an anticipated decrease in revenue of at least \$8.9 million for the Community Services Agency. Impacts from the State actions include: the CalWORKs Single allocation reduction of \$2 million; CalWORKs Assistance reduction of \$6.4 million; and a reduction in Child Care of \$500,000. General Assistance could be reduced approximately \$100,000 at the discretion of the Board of Supervisors. These revenue reductions do not correspond to an equal increased need in General Fund appropriations to supplant the revenue losses. Most of the revenue loss will appear as lower cash grants to program recipients. It is anticipated there will be an increased need for County Share Match contribution of at least \$136,863 as a result of these changes. Several changes are proposed to create savings in the In Home Supportive Services program that require case specific review and action; impact estimates are pending Federal approval and State instructions.

Clerk Recorder/Registrar of Voters

There are \$548,932 in outstanding mandate reimbursement (SB-90) claims from Fiscal Year 2009-2010 that are being deferred and may not be reimbursed because of budget actions at the State. Discontinued mandate reimbursement also includes Vote-By-Mail postage reimbursement which is at risk.

Health Services Agency

The Health Services Agency estimates a \$157,000 revenue loss as a result of the Medi-Cal Fee for Service provider payment changes. This is for Fee for Service visits only at the Specialty and Rehab Clinics. There will be a reduction in the payments to Medi-Cal Managed care plans based on an actuarial adjustment. If this equates to a 10% reduction that is passed on to the providers, the loss for Specialty and Rehab revenue will be around \$115,000 for Budget Year 2011-2012.

Staff from all departments will continue to closely monitor State budget impacts as they can be identified.

Funding for Social Services and Health Care Programs

Significant exposures exist in the In-Home Supportive Services (IHSS) program. The IHSS program has experienced growth in size and cost while available dollars to fund the program are shrinking. The County does not have the discretion to discontinue the program, nor can the County reduce services to eligible customers per program regulations. The 2010-2011 Adopted Final Budget did not fully fund the IHSS individual provider wages and benefits for 2010-2011, and anticipated an exposure of \$1.3 million to the County's General Fund. As reported in the Mid-Year Financial Report, as a result of decreased caseload growth and a State-mandated 3.6% reduction in hours, the exposure to the General Fund decreased to \$897,975. At this time, the Department has completed a thorough review of the CSA – In-Home Supportive Service (IHSS) Provider Wages budget. Based on current projections, the Department anticipates fully funding this program through fiscal year-end, using one-time departmental fund balance to ensure no additional county match is required. It is projected that the IHSS program will have a General Fund shortfall of \$2.1 million in Budget Year 2011-2012, due to the expiration of the Federal Medicaid Assistance Percentage (FMAP) on June 30, 2011.

For the past several years, the IHSS program has been one of the fastest-growing programs in terms of General Fund exposure. Recent months' actual caseloads indicate a slowing of growth. The existing Memorandum of Understanding between the IHSS Public Authority and the United Domestic Workers of America expired on September 30, 2010; however, a tentative agreement was reached on March 24, 2011, that will be brought to the Board of Supervisors sitting as the Public Authority, for approval in the near future.

The Health Services Agency continues to face funding challenges in its Clinics and Ancillary Services Division. As part of the 2010-2011 Adopted Proposed Budget, the Health Services Agency identified a significant exposure of \$2.3 million in the current year for the Medically Indigent Adult (MIA) program. Litigation continues on patient liability/share of cost issues. The Department recently completed a local cost of living study that was presented to the Board as part of a public hearing conducted on April 5, 2011. The Health Services Agency is requesting to use previous years' one-time savings in the HSA Clinics and Ancillary Services budget to fund the 2010-2011 projected deficit in the Agency's IHCP Program. Regardless of the funding levels, MIA services are mandated and the County is required to provide or arrange for the provision of medical services for the indigent residents of the County. There is no new external revenue anticipated to offset these costs in Budget Year 2011-2012, therefore, the Department anticipates an exposure of over \$2.9 million.

General Liability and Self-Insurance Funds

Charges to departments in Budget Year 2011-2012 have increased for both unemployment and general liability. Unemployment charges are \$350 per employee, compared to \$325 in Fiscal Year 2010-2011. The claims have grown in the last two fiscal years due primarily to the locally-funded Federal extensions and additional claimants due to reductions-in-force. This budget fully funds claims for a maximum of 26 weeks and any extended benefits pursuant to Federal law. In addition, costs for the General Liability Self-Insurance Fund have increased from \$2.3 million in Fiscal Year 2007-2008 to a projected \$4.7 million in Fiscal Year 2010-2011. This is due to the increased number and severity of the cases brought against the County in these last three years. At the end of Fiscal Year 2009-2010, an accounting adjustment was

made to this fund that increased its liability by \$2.8 million. This adjustment was made based on an annual actuarial review of the fund and a projection of current and future liabilities as of June 30, 2010. This, in turn, decreased the fund's retained earnings balance, which is often used to fund costs that are not directly offset by revenue. The result of this adjustment was that the fund ended the year in a retained earnings deficit of \$2.2 million. Costs for several significant litigated cases are also included in the estimated Budget Year 2011-2012; however, it is uncertain whether the amount of this funding will be sufficient for those cases during the fiscal year. This budget will be monitored closely throughout the year and returned to the Board should additional appropriations be required.

Retirement 2011-2012

On March 22, 2011 the Stanislaus County Employees Retirement Association Board (StanCERA) authorized the transfer of \$12.6 million from non-valuation reserves to offset a portion of the County's retirement costs for the 2011-2012 Budget Year, however, significant exposure remains with projected retirement rate increases in Budget Year 2012-2013 and beyond.

On December 21, 2010, the Board of Supervisors approved a modification of retirement benefits for certain employees, reducing benefit levels to the former Tier Two retirement benefit structure which was in place prior to March 2002 (reduced benefit formula; 2% at age 61 for miscellaneous employees, 2% at age 50 for safety employees and a final average salary calculation based on final 36 months average salary). The December 21, 2010 Board action affected employees hired after December 31, 2010 in unrepresented classifications and 10 of the 15 County bargaining units. On April 26, 2011 the Board took action to approve the placement of the balance of the County bargaining units into the reduced Tier 2 benefit formula, again affecting only employees hired after December 31, 2010. This will result in long-term retirement cost savings to the County.



A Safe Community

COUNTY DEPARTMENTS

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

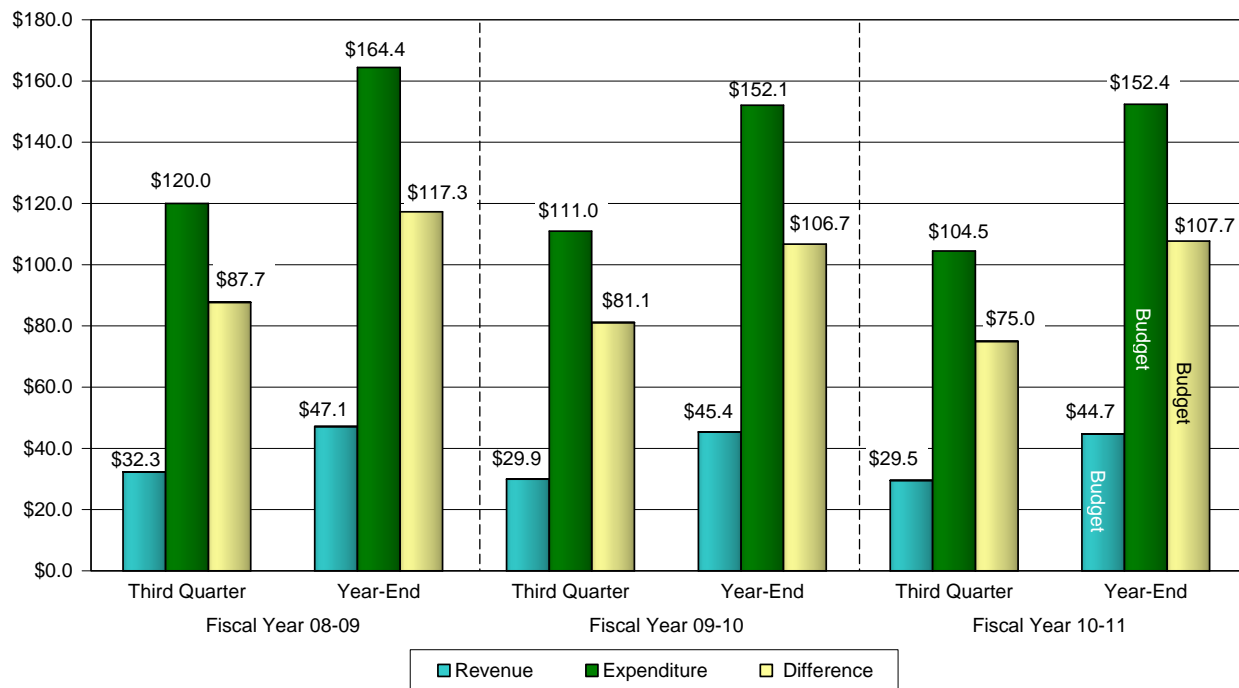
Ensuring a safe community and protecting the safety of the residents of Stanislaus County continues to be a top priority of the Board of Supervisors. Departments assigned to the Board of Supervisors priority area of A Safe Community include: Chief Executive Office - Office of Emergency Services/Fire 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 March 31, 2011, actual revenue collected is \$29.5 million, which represents 65.7% of the estimated annual revenue. This is below the range when compared to the third quarter point of the prior two years when collections were at 68.9% and 65.9% of the final actual revenue. As of March 31, 2011, expenditures are \$104.5 million, representing 68.5% of the budgeted appropriations. Expenditures at the third quarter point of the prior two years were 73% of the final actual expenditures, placing this year below the range.

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 third 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 Safe Community.

A Safe Community Three Year Comparison



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

- ◆ Sheriff – An overall decrease of approximately \$238,000 in revenue due to a delay in the receipt of State funding. Expenditure decreases of \$5.3 million are primarily due to reductions in force in September 2009, June 2010 and January 2011, resulting in decreased salary and benefits costs;
- ◆ District Attorney – Criminal Division – An overall decrease in expenditures of approximately \$800,000 due primarily to staffing vacancies, resulting in decreased salary and benefits costs.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

CHIEF EXECUTIVE OFFICE—CRIMINAL JUSTICE FACILITIES FUND

On December 21, 2010 the Board of Supervisors approved the financing for the Juvenile Commitment Center. Part of the financing included a cash transfer from the Criminal Justice Facilities Fund budget of \$2,732,528. At the time the financing was approved a request was not made to increase appropriations in the Criminal Justice Facilities Fund budget to account for the transfer of cash. It is requested that appropriations in operating transfers out be increased by \$2,732,528.

| Budget Unit | Recommended | | | Description |
|----------------------------------|--------------------|------------|------------------------------------|---|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| Criminal Justice Facilities Fund | \$2,732,528 | \$0 | \$2,732,528 | Increase appropriations in Operating Transfers Out by \$2,732,528 funded from Fund Balance. |
| Total | \$2,732,528 | \$0 | \$2,732,528 | |

Summary of Recommendations: It is recommended to increase appropriations by \$2,732,528 in Operating Transfers Out funded from fund balance.

COUNTY COURT FUNDING

The County Court Funding budget is requesting an increase in both appropriations and estimated revenue in an amount of up to \$105,000 as needed by the end of the fiscal year. Revenue received from court fines and penalties is coming in much stronger than anticipated when the budget was established. A portion of this revenue is added to the base maintenance-of-effort (MOE) payment due to the State at year-end; as revenue from fines and penalties increases so does the MOE expenditure. The additional revenue is more than adequate to cover the increased expenditure and there will be no cost to the General Fund.

| Budget Unit | Recommended | | | Description |
|----------------------|------------------|------------------|------------------------------------|--|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| County Court Funding | \$105,000 | \$105,000 | \$0 | Increase appropriations and estimated revenue up to a maximum of \$105,000 as needed at year end to cover increased State maintenance of effort costs. |
| Total | \$105,000 | \$105,000 | \$0 | |

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue by up to \$105,000 as needed at year end to cover increased State maintenance of effort costs.

GRAND JURY

As part of the mid-year financial review process, it was determined that the department would not be able to cover civil grand jury fees through June 30, 2011. At that time, the estimated deficit was projected at \$3,973. The Board approved an increase in appropriations of \$3,973 funded by Appropriations for Contingencies as part of the 2010-2011 Mid-Year Financial Report.

The Grand Jury's meeting requirement for the third quarter 2010-2011 was significantly higher than previous quarters. As of March 31, the Grand Jury will have expended \$6,600 for fees reimbursement. Additionally, on the calendar for April, May and June, jurors have scheduled 15 more meetings at a projected cost of \$3,342. The result is a projected negative year-end balance of \$1,553, which could increase up to \$4,500 if the Grand Jury were to schedule additional meetings. The Department does not have control over how frequently the Grand Jury meets and often as the end of the fiscal year approaches the Grand Jury will meet more frequently as they begin to finalize the Grand Jury Report.

The Department is requesting a budget adjustment of up to \$4,500 funded from Appropriations for Contingencies. The Department does not anticipate year-end savings to offset the projected deficit. Only those monies necessary to ensure that Civil Grand Jury fees are paid will be transferred.

| Budget Unit | Recommended | | | Description |
|--------------|----------------|------------|------------------------------------|---|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| Grand Jury | \$4,500 | \$0 | \$4,500 | Increase appropriations up to \$4,500 to fund civil grand jury fees for the 4th quarter of Fiscal Year 2010-2011, funded by a transfer from Appropriations for Contingencies. |
| Total | \$4,500 | \$0 | \$4,500 | |

Summary of Recommendations: It is recommended to increase appropriations by up to \$4,500 to fund Civil Grand Jury Fees from a transfer from Appropriations for Contingencies.

INTEGRATED CRIMINAL JUSTICE INFORMATION SYSTEM

The Integrated Criminal Justice Information System (ICJIS) program is a collection of internally generated software applications that support local criminal justice departments. As of April 1st the ICJIS budget is in alignment with original expenditure projections. However, due to new accounting requirements from the Government Accounting Standards Board (GASB51) for the reporting of "Intangible Assets" the value of ICJIS must now be reported and accounted for. Staff from the Auditor-Controller and Chief Executive Office have worked together to define the value of the ICJIS program at approximately \$2.7 million with a useful life of 10 years. To account for the first year of depreciation it is requested to increase appropriations by \$270,460 in the ICJIS budget.

There is no overall net effect to the budget. The depreciation is offset by the asset recorded value via the "Net Assets" fund balance. This new depreciation requirement will be accounted for in the Budget Year 2011-2012 Proposed Budget.

| Budget Unit | Recommended | | | Description |
|--|------------------|------------|------------------------------------|--|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| Integrated Criminal Justice Information System | \$270,460 | \$0 | \$270,460 | Increase appropriations by \$270,460 to account for the depreciation of the ICJIS program as an intangible asset, funded by Net Assets fund balance. |
| Total | \$270,460 | \$0 | \$270,460 | |

Summary of Recommendations: It is recommended to increase appropriations by \$270,460 to account for the depreciation of the ICJIS program as an intangible asset as required by GASB51, funded by Net Assets fund balance.

SHERIFF

Contract Cities: The Sheriff's Department is requesting an increase of \$35,000 in both appropriations and estimated revenue in the Contract Cities budget. This increase will allow the City of Patterson to replace an existing Honda ST1300PA6 police motorcycle originally purchased in 2006 through a grant from the Office of Traffic Safety (OTS). The City of Patterson modified the Memorandum of Understanding between the City and the Sheriff's Department on March 15, 2011 to fund 100% of the purchase price and operational costs of the new motorcycle. Previously the costs were split 75% to the City of Patterson and 25% to the Sheriff's Department. The 2006 motorcycle will be sold by County-Fleet Services and any proceeds from the sale will be distributed between the City of Patterson (75%) and the Sheriff's Department (25%). There will be no cost to the General Fund for the purchase of the replacement motorcycle.

Detention / Civil Process Fees: The Department is requesting an increase of \$25,000 in fixed asset appropriations and estimated revenue in the Civil Division of the Detention budget. The Civil Division provides timely and accurate civil process service to the citizens of the County and provides statewide transportation of inmates sentenced to State prison as well as State prisoners returning to court for active criminal cases. Due to the travel demands the Division plans to purchase an additional vehicle. The purchase will be funded by a \$25,000 transfer of fund balance from the Civil Process Fees special revenue budget. There will be no cost to the General Fund for this purchase.

The Civil Process Fees special revenue budget requires an increase of \$25,000 in appropriations in order to complete the transfer of fund balance to the Detention budget unit to fund the vehicle purchase. The projected cash balance at June 30, 2011 in the Civil Process Fees fund is anticipated to be \$964,700. This fund is mandated by Government Code section 26720-26751 and is being used solely for technical equipment and vehicles for the Civil Division. Revenue is generated through the process and service of court documents.

| Budget Unit | Recommended | | | Description |
|--------------------|-----------------|-----------------|------------------------------------|--|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| Contract Cities | \$35,000 | \$35,000 | \$0 | Increase Fixed Asset appropriations and estimated revenue for City of Patterson motorcycle replacement. Fully funded by City. |
| Detention | \$25,000 | \$25,000 | \$0 | Increase Fixed Asset appropriations and estimated revenue for vehicle purchase for Civil division. Revenue will be transferred from Civil Process Fees special revenue fund. |
| Civil Process Fees | \$25,000 | \$0 | \$25,000 | Transfer Fund Balance from Civil Process Fees to Detention for vehicle purchase in Civil division. |
| Total | \$85,000 | \$60,000 | \$25,000 | |

Staffing Requests: The Department is requesting to unfund one vacant Storekeeper II position. Funding for this position is not sustainable into Budget Year 2011-2012. This action supports the Department's budget balancing strategy. The Department is also requesting to transfer one Deputy Sheriff position from Operations to Administration and to transfer one Sergeant position from Cal-MMET to Operations. This technical adjustment will align the positions with current job assignments.

| SHERIFF DEPARTMENT STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT | | | | | |
|--|-----------|-----------------|----------------|----------------|----------------------------|
| BUDGET UNIT | POSITIONS | POSITION NUMBER | CLASSIFICATION | REQUEST | RECOMMENDATION |
| Inmate Welfare | -1 | 3364 | Storekeeper II | Unfund vacancy | Unfund vacant position |
| Sheriff Changes | | | | | |
| Beginning Allocation | 509 | | | | |
| Changes in Allocation | -1 | | | | |
| Ending Allocation | 508 | | | | |
| SHERIFF DEPARTMENT TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION | | | | | |
| BUDGET UNIT | POSITIONS | POSITION NUMBER | CLASSIFICATION | REQUEST | RECOMMENDATION |
| Operations | -1 | 6649 | Deputy Sheriff | Transfer out | Transfer to Administration |
| Cal-MMET | -1 | 10223 | Sergeant | Transfer out | Transfer to Operations |

Summary of Recommendations: It is recommended to increase appropriations by \$85,000 and estimated revenue by \$60,000 to purchase a replacement motorcycle for the City of Patterson and to purchase a vehicle for the Detention Civil Division, funded by department revenue and fund balance. It is further recommended the staffing changes described and outlined in the table above be adopted.

STANISLAUS REGIONAL 911

Staffing Requests: The Department is requesting to unfund two vacant Emergency Dispatcher positions. Funding for these positions is not sustainable into Budget Year 2011-2012. This action supports the Department's budget balancing strategy.

| STANISLAUS REGIONAL 9-1-1 DEPARTMENT STAFFING REQUESTS AFFECTING ALLOCATION COUNT | | | | | |
|---|-----------|-----------------|----------------------|------------------|-------------------------|
| BUDGET UNIT | POSITIONS | POSITION NUMBER | CLASSIFICATION | REQUEST | RECOMMENDATION |
| Stanislaus Regional 9-1-1 | -2 | 2342, 2345 | Emergency Dispatcher | Unfund vacancies | Unfund vacant positions |
| SR911 CHANGES | -2 | | | | |
| BEGINNING ALLOCATION | 55 | | | | |
| CHANGES IN ALLOCATION | -2 | | | | |
| ENDING ALLOCATION | 53 | | | | |

Summary of Recommendations: It is recommended the staffing changes described and outlined in the table above be adopted.

SUMMARY

Overall, appropriations and estimated revenue for A Safe Community are recommended to increase by \$3,197,488 and \$165,000 respectively. This is funded by the use of \$3,032,488 in fund balance and a transfer of up to \$4,500 from Appropriations for Contingencies.



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

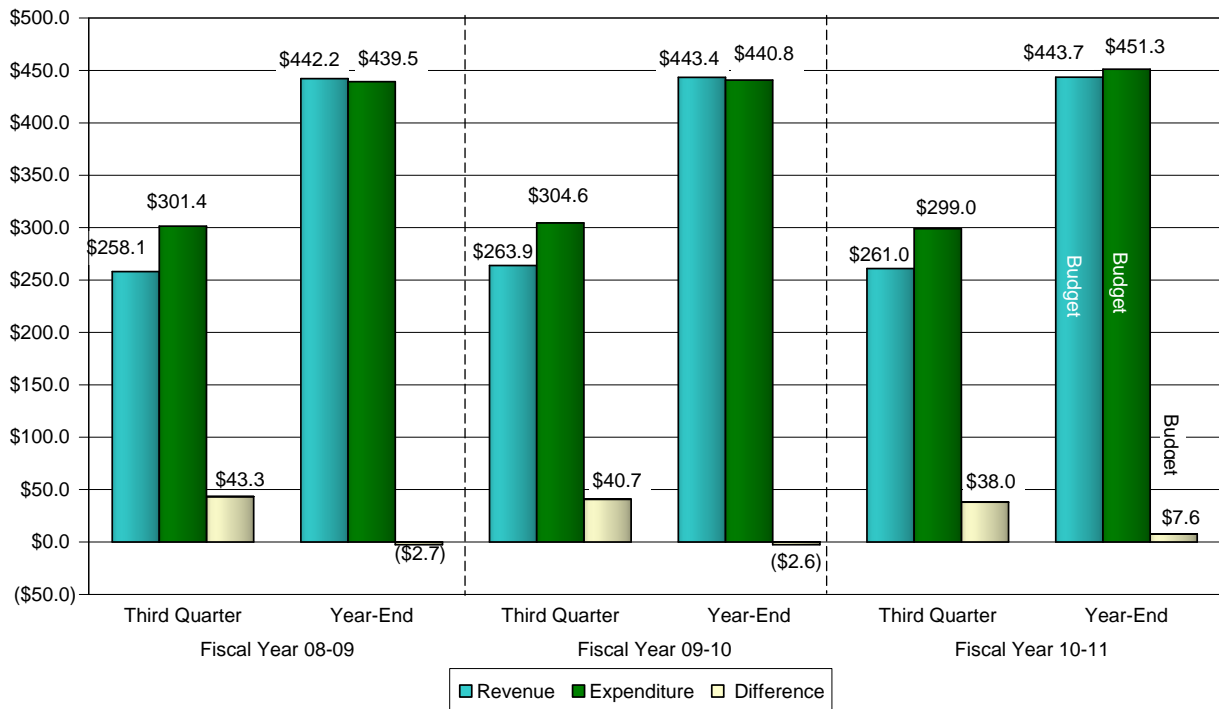
The Board of Supervisors priority area of A Healthy Community is vital to the quality of life for County residents. The departments assigned to this priority area are focused on protecting and promoting the health and well-being of County residents including preventing disease, disability and death. 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 March 31, 2011, actual revenue is \$261 million, which represents 58.8% of the estimated annual revenue. This is within the range when compared to the third quarter point of the prior two years when collections were 58.4% and 59.5% of the final actual revenue. As of March 31, 2011, expenditures are \$299 million, representing 66.3% of the budgeted appropriations. Expenditures at the third quarter point of the two prior years were 68.6% and 69.1% of the final annual expenditures, placing this year's expenditures below the range.

The following chart provides a comparison of revenues and expenditures. The difference between the two is funded through the use of fund balance and/or retained earnings. This comparison shows third quarter and year-end results 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



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

- ◆ Behavioral Health and Recovery Services – An increase in revenue of \$818,000 in the Mental Health Services Act budget primarily as a result of receipt of funding for Technological Needs, recognition of Prevention and Early Intervention program dollars unspent in the prior year, and an increase in expenditures of \$1.5 million primarily as a result of the start up of the new Technological Needs component and full implementation of the Prevention and Early Intervention component of the Mental Health Services Act plan;
- ◆ Children and Families Commission – A decrease of \$578,276 in revenue and \$859,541 in expenditures is primarily due to declining tobacco tax revenue, decreased fund balance resulting in a lower rate of return on invested funds and the end of matching program revenue from First 5 California. The department has decreased expenses to stabilize expenditures and in preparation of the adoption of AB 99 which will sweep more than 50% of the Commission’s reserves in 2011-2012;
- ◆ Child Support Services – A decrease of \$830,000 in revenue and \$763,000 in expenditures is primarily a result of a decrease in salary costs. The Department receives revenue from the State as a reimbursement of actual expenses. The Department has significantly decreased expenses through salary reductions and unfilled vacant positions;

- ◆ Health Services Agency – Clinic and Ancillary Services – An increase in revenue of \$1.8 million primarily as a result of timing of receipt of Federal reimbursements, resulting from the Federally Qualified Health Centers Look-Alike designation. Additionally, a decrease in expenses of \$2.2 million primarily as a result of the transfer of the Family Medicine Residency Program to the Valley Consortium for Medical Education in June, 2010; and
- ◆ Health Services Agency – Public Health – a decrease in expenditures of \$1.2 million primarily due to employee retirements and the implementation of the 5% Countywide furlough pay deduction.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

AREA AGENCY ON AGING / VETERANS' SERVICES

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.

As part of the Third Quarter Financial Report, the Department is requesting to increase appropriations and estimated revenue by \$181,832 due to additional federal One-Time Only (OTO) and 2-Medicare Improvements for Patients and Providers (2MIPPA) funds for Fiscal Year 2010-2011. This additional revenue can be used for one-time-only projects or for program-related expenses. Consequently, \$128,199 of this funding will go to the contracting service providers to provide additional senior services. The remaining \$53,633 will be used for the following direct services: \$15,315 of 2MIPPA funds will be used to increase outreach for the Health Insurance Counseling and Advocacy Program (HICAP), \$21,548 for Title III-B programs, which include Information and Assistance and the Friendly Visitor Programs, and \$16,770 for Title III-E Family Caregiver Program.

| Budget Unit | Recommended | | | Description |
|----------------------|------------------|------------------|------------------------------------|---|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| Area Agency on Aging | \$181,832 | \$181,832 | \$0 | Additional One-Time Only (OTO) and 2-Medicare Improvements for Patients and Providers (2MIPPA) funds for Fiscal Year 2010-2011. |
| Total | \$181,832 | \$181,832 | \$0 | |

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue by \$181,832, as a result of additional Federal funding for senior services.

CHILD SUPPORT SERVICES

The Department of Child Support Services (DCSS) budget is projected to end the fiscal year within budgeted appropriations and estimated revenue. The Department is requesting to transfer \$400,000 from its departmental contingency account in order to fund several critically important performance improvement projects.

The departmental contingency account was established during the preparation of Proposed Budget for Fiscal Year 2010-2011 to fund emergency repairs for the building's Heating, Ventilation and Air Conditioning (HVAC) system. Replacement of the HVAC system is still needed and staff continue to evaluate repair and replacement options at the CSF Facility; however, other funding will be used. A core team from the CEO, CEO Capital Projects, GSA and tenants of the facility are currently evaluating phasing and financing options to address the current and future system needs.

Two important projects to improve performance measures are proposed. The projects dedicate \$300,000 toward a joint effort with the Stanislaus County Department of Probation and \$100,000 for DCSS overtime expenses for support orders. The DCSS-Probation project is a \$300,000 partnership effort to address nearly 1,400 probationers that have not fulfilled their child support obligations. Probation staff will work with DCSS staff on shared participant cases in which individuals under the jurisdiction of the Stanislaus County Probation Department have violated their court order by failing to pay their mandated child support. Probation staff will provide DCSS with new demographic information and/or employer information related to probationers with child support cases; refer probationers to DCSS to address case negotiation opportunities; and perform other duties related to the administration of the IV-D program for the purposes of increasing collections on child support obligations and increasing program performance.

The overtime project will be directed toward the more than 4,400 support orders that have not been obtained by DCSS staff. The overtime project does not use General Fund dollars. Support orders are one of the five Federal Performance Measures on which the Department is ranked statewide. The Stanislaus County statewide ranking on support orders has fallen from 34th in Federal Fiscal Year 2008 to 40th in Federal Fiscal Year 2010. Although improvements have been made recently at the local level, these gains have not been sufficient to maintain the Stanislaus County ranking in comparison to higher performing counties. County child support agencies with results in the bottom quartile (40th to 52nd) are placed in a corrective action plan and are placed under closer State scrutiny. The focus of the proposed overtime project is on those cases that will improve the Department's statewide ranking, thereby preventing further declines in performance and avoiding possible corrective action. The local impact of this project will be ongoing future collections for the children whose cases will be added into the system.

| Budget Unit | Recommended | | | Description |
|------------------------|----------------|------------|------------------------------------|---|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| Child Support Services | (\$400,000) | \$0 | (\$400,000) | Transfer appropriations from departmental contingency account to fund program performance improvement projects. |
| Child Support Services | \$100,000 | \$0 | \$100,000 | Increase appropriations to fund overtime performance improvement project to increase support orders. |
| Child Support Services | \$300,000 | \$0 | \$300,000 | Increase appropriations to fund Probation Department performance improvement project. |
| Total | \$0 | \$0 | \$0 | |

Summary of Recommendations: It is recommended to transfer \$400,000 from the Departmental contingency account to fund the two performance improvement projects highlighted above.

COMMUNITY SERVICES AGENCY

The Community Services Agency (CSA) continues to see increases in General Assistance and cash aid caseloads, a direct result of the economic downturn and high unemployment rate that continues to persist. As of third quarter, the Department has experienced significant growth in the number of customers receiving CalFresh Food Stamps, up 15% over the last fiscal year. CSA has also experienced growth of 4.5% in the CalWORKs Cash Assistance program, and approximately 2% growth in the Medi-Cal program. Within the In-Home Supportive Services program, there has been a leveling off and slight decline in the number of customers, however, many of the remaining cases may have higher hourly service needs that have offset any cost savings.

A detailed analysis of realignment revenue trends was completed throughout the third quarter review process. No changes have been recommended to the realignment funds forecast at this time. Sales tax receipts which contribute to social services realignment fluctuate greatly from month to month and have been on a steady decline over the past five fiscal years with a slight improvement realized in August of 2010. CSA will continue to monitor sales tax and realignment closely since this revenue stream provides over half the mandated county share of total CSA programs, which includes 32% of the mandated county share within the Program Services and Support budget.

Consistent with past practice, the Department requests authority to make transfers among CSA budgets to mitigate any potential impacts to the County General Fund and ensure the overall CSA budget ends the year in a positive position.

Services and Support: The Department has completed a third quarter review of the Services and Support budget. The Department is requesting to transfer out appropriations of \$164,883 to support the CSA – IHSS Provider Wages budget. The resulting use of \$164,883 in departmental fund balance allows the Department to cover local match requirements in mandated programs in this and other CSA budgets, without impact to the County General Fund.

Public Economic Assistance: In the Foster Care and Adoptions Assistance Programs, the Department is requesting to increase appropriations by \$243,164 and estimated revenue by \$179,020 in State and Federal funding, offset by the use of department fund balance of \$64,144. The increase is resulting from the court ordered increase to Foster Family Home (FFH) rates estimated at \$170 per case effective April 1, 2011.

Additionally, the Department is requesting to transfer out appropriations of \$43,846 to support the IHSS Provider Benefits and Wages budgets. The resulting use of \$43,846 in departmental fund balance allows the Department to cover local match requirements in mandated programs in this and other CSA budgets, without impact to the General Fund.

In-Home Supportive Services (IHSS) Public Authority Benefits: This budget includes the direct costs of the Individual Provider (IP) Medical Benefits Plan. Under the approved labor agreement with the United Domestic Workers of America (UDWA), the County will contribute up to \$0.60 per IP paid hour for health benefits. Health benefits are available to individual providers who work 75 hours or more per month for three consecutive months. The number of providers that can receive benefits are dependent on the total annual individual provider paid hours and the determined monthly health premiums.

In the IHSS Public Authority Benefits budget, the Department is requesting to increase appropriations by \$737,245 and estimated revenue by \$716,012, and to use prior year department fund balance of \$21,233. This will ensure the Department may process insurance premium payments through the remainder of the fiscal year and to mitigate anticipated premium increases effective April 1, 2011. Sources of the additional revenue include \$581,991 in Federal and State revenue, the use of health premium reserves of \$100,000, an operating transfer in from the Public Economic Assistance budget of \$34,021, and prior year fund balance approved by the Board of Supervisors at first quarter. The resulting use of fund balance allows the Department to cover local match requirements in mandated programs in this and other CSA budgets, without impact to the General Fund.

In-Home Supportive Services (IHSS) Provider Wages: This budget contains the full cost of the mandated IHSS individual provider wages, funded by Federal, State and County funds. Current wages are \$9.38 per hour as authorized by the Board of Supervisors in the labor agreement with United Domestic Workers of America (UDWA) that expired on September 30, 2010. A tentative agreement was reached on March 24, 2011 that, pending Board approval, will maintain the same hourly wage through September 2011. At the mid-year, the Department projected that additional County Match for both the IHSS Provider Wages and IHSS Benefits budget units could be necessary prior to year-end because of projected caseload growth.

At this time, the Department is requesting an increase in appropriations of \$8,360,194, estimated revenue of \$7,817,072 from State and Federal funding, and the use of one-time department fund balance of \$543,122. The Department is also requesting to increase estimated revenue by \$174,708 through an operating transfer in from the CSA Services and Support and Public Economic Assistance budgets. This will ensure the county minimum mandated match requirement is met, and there is no additional impact to the General Fund.

| Budget Unit | Recommended | | | Description |
|----------------------------------|--------------------|--------------------|------------------------------------|--|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| CSA - Services and Support | \$164,883 | \$0 | \$164,883 | Increase in Operating Transfer out to IHSS Provider Wages to cover local county match requirements. |
| CSA - Public Economic Assistance | \$243,164 | \$179,020 | \$64,144 | Increase in Foster Care and Adoptions Assistance average grant amount due to court-ordered increase in Foster Family Home rates, funded by State and Federal revenue, and an increase of \$64,144 in the use of department fund balance. |
| CSA - Public Economic Assistance | \$43,846 | \$0 | \$43,846 | Increase in Operating Transfer out to IHSS Public Authority Benefits and IHSS Provider Wages to cover local county match requirements. |
| CSA - Public Authority Benefits | \$737,245 | \$581,991 | \$155,254 | Increase in appropriations to cover June 2011 IHSS Provider health benefits; funded by State and Federal revenue, and an increase of \$155,254 in the use of department fund balance. |
| CSA - Public Authority Benefits | \$0 | \$100,000 | (\$100,000) | Increase in estimated revenue using health premium reserves. |
| CSA - Public Authority Benefits | \$0 | \$34,021 | (\$34,021) | Increase in estimated revenue through an Operating Transfer in from Public Economic Assistance to cover local county match requirements. |
| CSA - IHSS Provider Wages | \$8,360,194 | \$7,817,072 | \$543,122 | Increase in appropriations to cover June 2011 IHSS Provider wages, funded by State and Federal revenue, and an increase of \$54,122 in the use of department fund balance. |
| CSA - IHSS Provider Wages | \$0 | \$9,825 | (\$9,825) | Increase in estimated revenue through an Operating Transfer in from Public Economic Assistance to cover local county match requirements. |
| CSA - IHSS Provider Wages | \$0 | \$164,883 | (\$164,883) | Increase in estimated revenue through an Operating Transfer in from Services and Support to cover local county match requirements. |
| Total | \$9,549,332 | \$8,886,812 | \$662,520 | |

Summary of Recommendations: It is recommended to increase appropriations by \$9,549,352 and estimated revenue by \$8,886,812 in State and Federal funding, resulting in the increased use of \$662,520 in departmental fund balance.

HEALTH SERVICES AGENCY

Clinics and Ancillary Services: The Health Services Agency – Clinics and Ancillary Services budget is expected to end the 2010-2011 Fiscal Year within budgeted appropriations. At this time, the Department is

requesting a one-time transfer of \$2,340,000 from departmental retained earnings to fund the budgeted revenue shortfall for the HSA Indigent Health Care Program (IHCP) in this current fiscal year.

Indigent Health Care Program: As part of the 2010-2011 Adopted Final Budget, the Health Services Agency anticipated an exposure of \$2.3 million in IHCP based on increased utilization and program changes pertaining to patient liability approved by the Board of Supervisors on March 30, 2010. At third quarter, the Department continues to project that it will not be able to maintain the required level of services to qualified Medically Indigent Adults (MIA) nor meet the County's mandated Welfare and Institutions (W&I) Code Section 17000 requirements without additional funding. At this time, the Health Services Agency is requesting an increase in appropriations up to \$2,340,000 to allow for the previously identified exposure of \$2.3 million and for the additional fiscal impact of \$34,000 for the program changes to patient eligibility approved by the Board of Supervisors at a Public Hearing conducted on April 5, 2011. This \$34,000 represents the anticipated cost of these eligibility changes for the remainder of Fiscal Year 2010-2011. As described above, retained earnings in the Clinics and Ancillary Services budget is requested to be used to fund the current projected deficit in the Agency's IHCP Program.

| Budget Unit | Recommended | | | Description |
|-------------------------|--------------------|--------------------|------------------------------------|---|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| HSA Clinics & Ancillary | \$2,340,000 | \$0 | \$2,340,000 | Increase appropriations to transfer funds to IHCP. |
| HSA IHCP | \$2,340,000 | \$2,340,000 | \$0 | Increase appropriations and estimated revenue for Medical Services, funded through a transfer from Clinics and Ancillary. |
| Total | \$4,680,000 | \$2,340,000 | \$2,340,000 | |

Staffing Requests: The Chief Executive Office previously received a request to complete a classification study of an Administrative Clerk II position in the Indigent Health Care Program. The study has been completed and based on the job duties and responsibilities a recommendation to reclassify the position upward is being made. The department has sufficient appropriations to cover the increased costs for the remainder of the fiscal year.

| HEALTH SERVICES AGENCY DEPARTMENT TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION | | | | | |
|--|-----------|-----------------|-------------------------|-------------------|------------------|
| BUDGET UNIT | POSITIONS | POSITION NUMBER | CLASSIFICATION | REQUEST | RECOMMENDATION |
| Indigent Health Care Program | 1 | 3387 | Administrative Clerk II | Reclassify upward | Account Clerk II |

Summary of Recommendations: It is recommended to increase appropriations by \$4,680,000 and increase estimated revenue by \$2,340,000. This results in the additional use of \$2,340,000 in departmental fund balance. It is further recommended the staffing change described and outlined in the table above be adopted.

SUMMARY

Overall, appropriations and estimated revenue for A Healthy Community are recommended to increase by \$14,411,164 and \$11,408,644 respectively. This is funded by \$3,002,520 of departmental fund balance/retained earnings.



A Strong Local Economy

COUNTY DEPARTMENTS

Alliance Worknet
Library

A Strong Local Economy

OVERVIEW

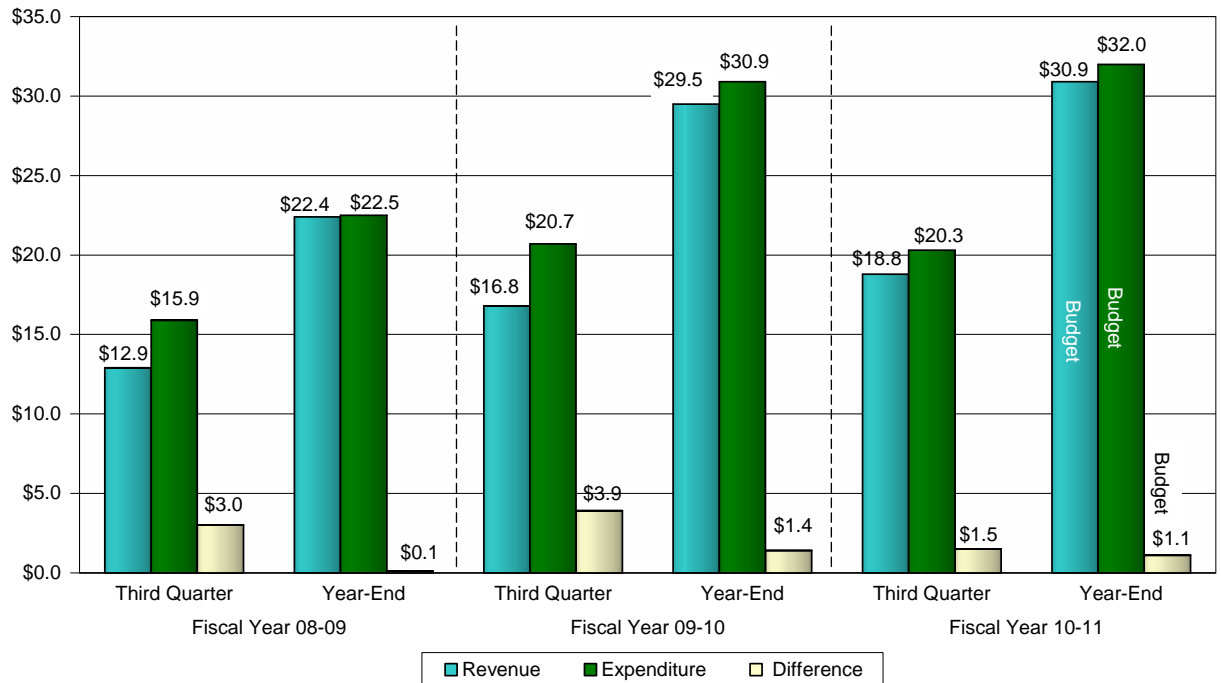
The Board of Supervisors priority area of A Strong Local Economy recognizes the critical role that County government can play in creating a local economy that promotes, protects, and sustains our agricultural economies while providing for broader, more diversified economic opportunities that will strengthen 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 dedicated 1/8-cent sales tax and a contribution from the General Fund.

DEPARTMENTAL REVENUE AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of A Strong Local Economy as of March 31, 2011, actual revenue collected is \$18.8 million, which represents 61% of the estimated annual revenue. This is above range when compared to the third quarter of the prior two years when collections were 57.6% and 56.9% of the final actual revenue. As of March 31, 2011, expenditures are \$20.3 million, representing 63.4% of the budgeted appropriations. Expenditures at third quarter of the prior two years were at 71% and 67% of the final actual expenditures, placing this year's expenditures below the range.

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 third 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 Local Economy:

A Strong Local Economy Three Year Comparison



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

- ◆ Alliance Worknet and Alliance StanWORKs – An overall increase of \$1.9 million in revenue, as a result of the increase in CalWORKs Employment Services funding and growth of the Department's temporary employment services and Welfare-to-Work programs; and
- ◆ Library – An overall decrease of approximately \$569,842 in expenditures, due to the Department's efforts to reduce expenses through reduced staffing and the delayed purchase of books, materials, and supplies in anticipation of reduced revenue.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

ALLIANCE WORKNET

Staffing Requests: The Department is requesting to unfund one vacant Storekeeper II position and one vacant Administrative Clerk II position. Funding for these positions is not sustainable into Budget Year 2011-2012. This action supports the Department's budget balancing strategy.

| ALLIANCE WORKNET STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT | | | | | |
|--|-----------|-----------------|-------------------------|----------------|------------------------|
| BUDGET UNIT | POSITIONS | POSITION NUMBER | CLASSIFICATION | REQUEST | RECOMMENDATION |
| Alliance Worknet | -1 | 7562 | Storekeeper II | Unfund vacancy | Unfund vacant position |
| | -1 | 8627 | Administrative Clerk II | Unfund vacancy | Unfund vacant position |
| Alliance Worknet Changes | -2 | | | | |
| Beginning Allocation | 83 | | | | |
| Changes in Allocation | -2 | | | | |
| Ending Allocation | 81 | | | | |

Summary of Recommendations: It is recommended the staffing changes described and outlined in the table above be adopted.

SUMMARY

Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Strong Local Economy are projected to meet budget at year-end.



A Strong Agricultural Economy/Heritage

COUNTY DEPARTMENTS

Agricultural Commissioner
Cooperative Extension

A Strong Agricultural Economy/Heritage

OVERVIEW

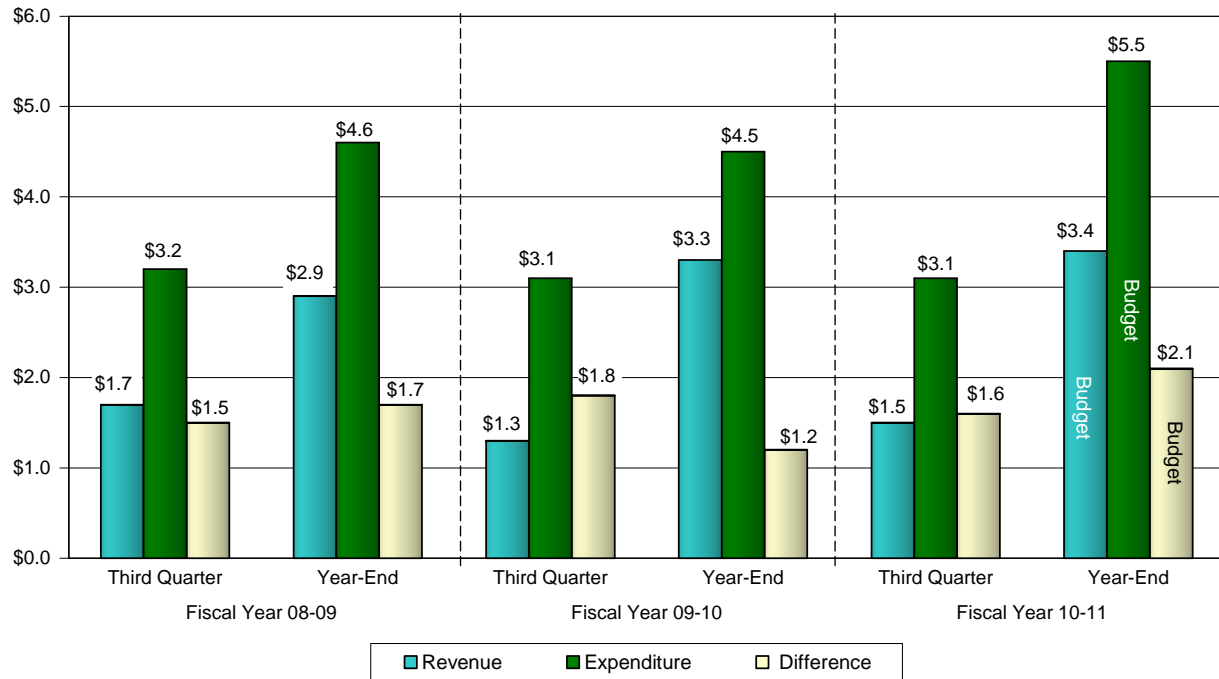
The Board of Supervisors priority area of A Strong Agricultural Economy/Heritage recognizes the vital role of the County's number one industry that generates over \$2 billion a year for County residents. Farmland conversion, air pollution, soil salinity and drainage, agricultural water supply and water 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 Office 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 March 31, 2011, actual revenue collected is \$1.5 million, which represents 43.1% of the estimated annual revenue. This is within range when compared to third quarter of the prior two years when collections were 58.1% and 39% of the final actual revenue. As of March 31, 2011, expenditures are \$3.1 million, representing 57.2% of the budget appropriations. Expenditures at the third quarter point of the prior two years were approximately 70.3% and 69.7% of the final actual expenditures, placing this year's expenditures below the range.

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 third 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



There were no significant variations in estimated revenue and expenditures this year, compared to the same time period one year ago include.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

There are no recommended budget changes for this priority area.

SUMMARY

Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Strong Agricultural Economy/Heritage are projected to meet budget at year-end.



A Well Planned Infrastructure System

COUNTY DEPARTMENTS

Environmental Resources

Parks and Recreation

Planning and Community Development

Public Works

A Well Planned Infrastructure System

OVERVIEW

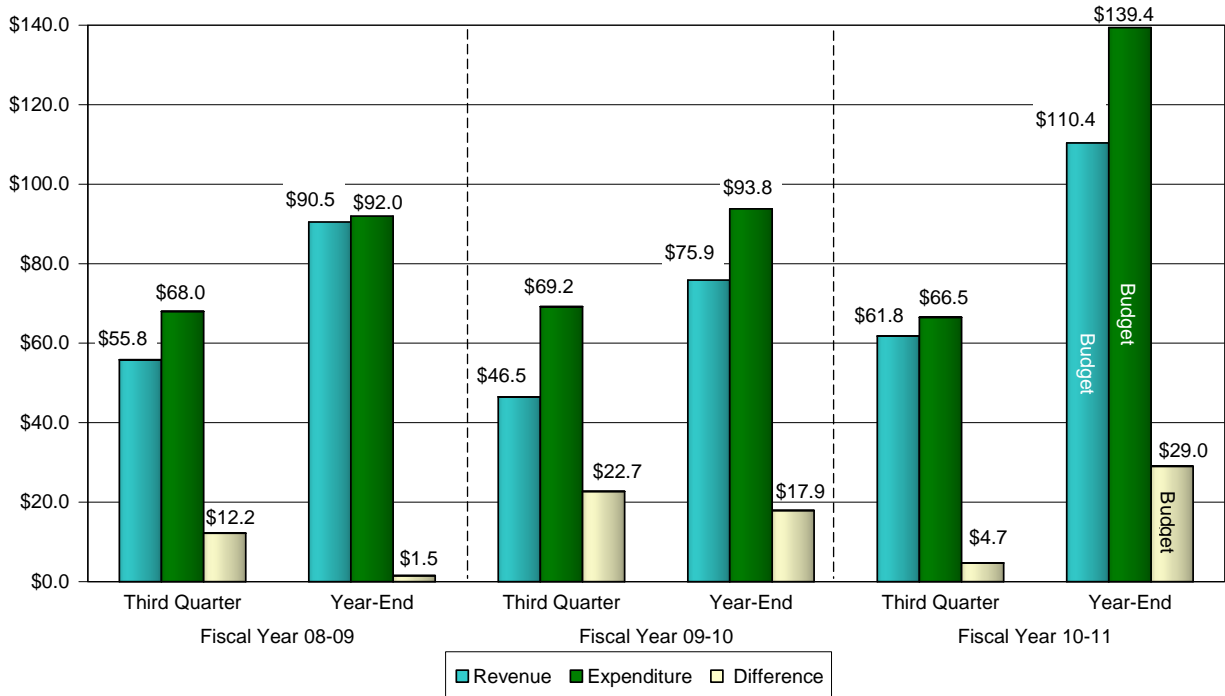
The Board of Supervisors priority area of A Well Planned Infrastructure System is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, and regional approaches to transportation 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's 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 March 31, 2011, actual revenue collected is \$61.8 million, which represents 56.0% of the estimated annual revenue. This is lower than the range when compared to third quarter of the prior two years when collections were 61.6% and 61.7% of the final actual revenue. As of March 31, 2011, expenditures are \$66.5 million, representing 47.7% of the budgeted appropriations. Expenditures at the third quarter of the prior two years were 73.9% and 73.8% of the final actual expenditures, placing this year's expenditures below the range.

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 third 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 Well Planned Infrastructure System.

A Well Planned Infrastructure System Three Year Comparison



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

- ◆ Department of Environmental Resources - Fink Road Landfill – A decline in expenditures in the amount of \$3.3 million due to the majority of the planned Cell No. 5 construction occurring in Fiscal Year 2009-2010 and fixed asset purchases and other onsite improvements being kept to a minimum while revenues are down;
- ◆ Department of Environmental Resources - Waste-to-Energy Program – An increase in expenditures of \$4.4 million due to a significant reduction in the price of electricity sold to Pacific Gas & Electric, resulting in the program's increased operating expenditure;
- ◆ Planning and Community Development - Redevelopment – A decrease of \$8.9 million in expenditures due to completion of major portions of the Keyes and Empire Storm drain projects in Fiscal Year 2009-2010;
- ◆ Planning and Community Development Department Special Revenue Grants – A decrease of \$4.2 million in revenue and \$4.0 million in expenditures as a result of the Fiscal Year 2009-2010 grant award from the Neighborhood Stabilization Program in support of community development programs including housing rehabilitation and down-payment assistance;
- ◆ Department of Public Works - Local Transit – An increase of \$741,000 in revenue and \$794,000 in expenditures due to the timing of receipt of Transportation Development Act (TDA) funds and the purchase of new electronic fare boxes for all buses;

- ◆ Department of Public Works – Morgan Shop – An increase of \$845,000 in revenue and \$1.4 million in expenditures for the purchase of alternative fueled vehicles funded primarily through a Congestion Mitigation and Air Quality grant to meet compliance with State emission requirements; and
- ◆ Department of Public Works - Road and Bridge – An increase in revenue of \$17.9 million and \$6.8 million in expenditures due to the receipt of Federal American Recovery and Reinvestment Act (ARRA) funding and Public Facility Fee funds. In addition, the Department's delay of Fiscal Year 2009-2010 projects in response to the fiscal uncertainty in the State budget until Fiscal Year 2010-2011 resulted in an increase in expenditures compared to the previous fiscal year.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

There are no recommended budget changes for this priority area.

SUMMARY

Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Well Planned Infrastructure System are projected to meet budget at year-end.



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

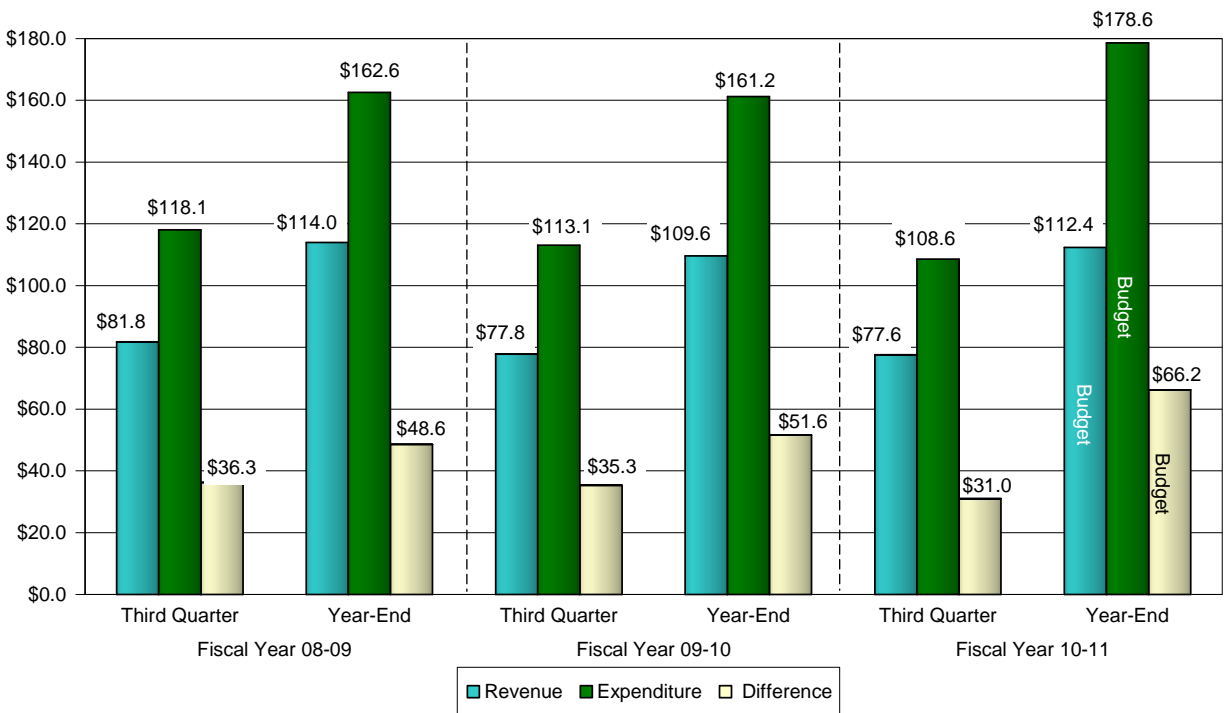
The public expects government to be responsive to their needs and to conduct business efficiently. County departments provide services to a diverse customer base and to serve these customers efficiently, it is important to consistently understand and review how to improve County services. Departments assigned to the Board of Supervisors priority area of Efficient Delivery of Public Services include: Assessor, Auditor - Controller, Board of Supervisors, Chief Executive Office, Clerk-Recorder/Elections, County Counsel, General Services Agency, Strategic Business Technology and Treasurer-Tax Collector. The revenue used to pay for the majority of these services comes from local taxes such as property tax 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 March 31, 2011, actual revenue collected is \$77.6 million, which represents 69% of the estimated annual revenue. This is below the range when compared to third quarter of the prior two years when collections were 71.8% and 71% of the final actual revenue. As of March 31, 2011, expenditures are \$108.6 million, representing 60.8% of the budgeted appropriations. Expenditures at third quarter of the prior two years were 72.6% and 70.2% of the final actual expenditures, placing this year's expenditures below the range.

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



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

- ◆ Chief Executive Office – Debt Service – A \$500,000 decrease in expenditures due to the timing of the scheduled debt payment between the County and the Trustee;
- ◆ Chief Executive Office - Risk Management Self-Insurance Funds - A \$779,000 increase in revenue due to an increase in annual unemployment charges to departments from \$235 per employee in Fiscal Year 2009-2010 to \$325 per employee in Fiscal Year 2010-2011, and a \$977,000 decrease in expenditures primarily a result of a reduction in the number of employees enrolled in health insurance programs;
- ◆ Chief Executive Office – General Fund Contribution to Other Programs – A \$6.2 million increase in expenditures due to the establishment of this budget to fund those programs for which no State or Federal mandate exists. These programs were previously funded through the General Fund Match and Support budget;
- ◆ Chief Executive Office – Mandated County Match - A \$7.1 million decrease in expenditures primarily due to the General Fund revenue allocation for County Match being separated into two legal budgets, Mandated County Match and General Fund Contributions to Other Programs. The Mandated County Match budget includes funding for those programs that have a State or Federal requirement for local dollars as match in order to receive State or Federal funding. Programs that receive General Fund revenue based on contractual obligations and Board of Supervisors policy decisions, and contributions to outside agencies have been moved to the new budget;

- ◆ Clerk-Recorder – Elections Division - A \$600,000 increase in revenue due to SB90 reimbursement of the 2008-2009 Presidential General Elections and the 2008-2009 Special Election;
- ◆ Clerk Recorder – Recorder Division - A \$400,000 increase in revenue as a result of the new base fee charged for every recorded document;
- ◆ General Services Agency – Fleet Services Division - A \$400,000 decrease in revenue due to a decline in requested services. This can be attributed to a decrease in staffing county-wide as well as a reduction in mileage in excess of 100,000 miles per month; and
- ◆ Strategic Business Technology - A \$400,000 decrease in revenue due to the reduction of 8% in charges to departments.

THIRD QUARTER ISSUES AND RECOMMENDATIONS

AUDITOR CONTROLLER

Staffing Requests: The Chief Executive Office previously received a request to complete a classification study of an Administrative Clerk II position in the Property Tax Division. The study has been completed and based on the job duties and responsibilities a recommendation to reclassify the position upward is being made. The department has sufficient appropriations to cover the increased salary costs of \$1,680 for the remainder of the fiscal year.

| AUDITOR CONTROLLER DEPARTMENT TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION | | | | | |
|--|-----------|-----------------|-------------------------|-------------------|-----------------------|
| BUDGET UNIT | POSITIONS | POSITION NUMBER | CLASSIFICATION | REQUEST | RECOMMENDATION |
| Auditor Controller | 1 | 3258 | Administrative Clerk II | Reclassify upward | Accounting Technician |

Summary of Recommendations: It is recommended the staffing change described and outlined in the table above be adopted.

CEO – COUNTY OPERATIONS

Appropriations for Contingencies: It is requested that appropriations be decreased by \$4,500 to transfer funds to the Grand Jury budget in order to fully fund Civil Grand Jury fees. As part of the mid-year budget process, the Board of Supervisors had previously authorized a transfer of \$3,973 to fund Civil Grand Jury fees. It is also requested that appropriations be decreased by \$117,585 in order to fully fund the County's obligations to the N. McHenry Revenue Sharing Agreement with the City of Modesto through the CEO – General Fund Contribution to Other Programs budget.

| Budget Unit | Recommended | | | Description |
|--|--------------------|------------|------------------------------------|--|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| CEO - Appropriations for Contingencies | (\$4,500) | \$0 | (\$4,500) | Transfer up to \$4,500 in appropriations to Grand Jury to fund Civil Grand Jury fees |
| CEO - Appropriations for Contingencies | (\$117,585) | \$0 | (\$117,585) | Transfer appropriations to CEO - General Fund Contribution to Other Programs for the N. McHenry Revenue Sharing Agreement with City of Modesto |
| Total | (\$122,085) | \$0 | (\$122,085) | |

Summary of Recommendations: A transfer of \$122,085 from Appropriations for Contingencies is recommended for Grand Jury and General Fund Contributions to Other Programs, leaving a balance of \$4,523,105 for Third Quarter. On April 26, 2011, the Board of Supervisors approved a \$100,000 transfer from Appropriations for Contingencies to fund the Stanislaus County Redistricting project. This leaves a balance of \$4,423,105 for the remaining fiscal year. Transfers from Appropriations for Contingencies require a four-fifths vote of the Board of Supervisors.

General Fund Contributions to Other Programs: The CEO – General Fund Contribution to Other Programs includes appropriations to meet the County's obligation under the North McHenry Revenue Sharing Agreement with the City of Modesto. The Auditor-Controller makes quarterly payments to the City of Modesto based on estimated tax revenues for properties included in the Agreement and then conducts an annual review to determine additional payments or credits based on actual revenue received. The Auditor-Controller has finalized the review of actual revenues received in 2009-2010 and has identified additional estimated payment obligations totaling \$117,585 above the original \$1.2 million budgeted for this obligation in the 2010-2011 Final Budget.

As part of the Adopted Final Budget for 2010-2011, the CEO-General Fund Contribution to Other Programs budget included funding for the Stanislaus Animal Services Agency in the amount of \$1,374,445. Since that time, the Agency finalized its budget for 2010-2011 and that action increased the County contribution to \$1,386,267. Although it is anticipated that actual expenses will be less than budget, the Joint Powers Agreement requires all partner agencies to fully fund their respective budgeted costs with a "true-up" action to occur at year-end. It is recommended to increase County match by \$11,822 in the Stanislaus Animal Services Agency to fully fund the County contribution in accordance with the Joint Powers Agreement.

As part of the Adopted Final Budget for 2010-2011 the CEO-General Fund Contribution to Other Programs budget included funding for the CEO-Department of Justice Alcohol and Drug program in the amount of \$55,543. This program has collected additional revenue and therefore will not use its full County match amount. It is recommended to decrease appropriations by \$11,822 in the CEO-Department of Justice Alcohol and Drug program to return unused match funds.

| Budget Unit | Recommended | | | Description |
|--|--------------------|------------|------------------------------------|--|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| CEO - Appropriations for Contingencies | (\$4,500) | \$0 | (\$4,500) | Transfer up to \$4,500 in appropriations to Grand Jury to fund Civil Grand Jury fees |
| CEO - Appropriations for Contingencies | (\$117,585) | \$0 | (\$117,585) | Transfer appropriations to CEO - General Fund Contribution to Other Programs for the N. McHenry Revenue Sharing Agreement with City of Modesto |
| Total | (\$122,085) | \$0 | (\$122,085) | |

| Budget Unit | Recommended | | | Description |
|---|------------------|------------|------------------------------------|---|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| CEO - General Fund Contribution to Other Programs | \$117,585 | \$0 | \$117,585 | Fully fund County's obligation under the N. McHenry Revenue Sharing Agreement with City of Modesto |
| CEO - General Fund Contribution to Other Programs | \$11,822 | | \$11,822 | Fully fund County's obligation under the Joint Powers Agreement for the Stanislaus Animal Services Agency |
| CEO - General Fund Contribution to Other Programs | (\$11,822) | | (\$11,822) | Return unused match funding from CEO-DOJ Alcohol and Drug program |
| Total | \$117,585 | \$0 | \$117,585 | |

Summary of Recommendations: It is recommended to increase appropriations by \$117,585 funded through a transfer from Appropriations for Contingencies to fully fund the N. McHenry Revenue Sharing Agreement. It is further recommended to increase County Match by \$11,822 for the Stanislaus Animal Services Agency and to decrease the match in the CEO – Department of Justice Alcohol and Drug Program by \$11,822.

CEO – RISK MANAGEMENT SELF-INSURANCE FUNDS

General Liability: The General Liability Self-Insurance budget is not projected to meet revenue estimates at year-end and will require a decrease of \$600,000. The Final Budget anticipated that more insurance reimbursement revenue would be received in the current fiscal year due to cases that would exceed the \$250,000 self-insured retention (SIR). Instead, this budget has funded numerous cases that have not met or exceeded the SIR, thus resulting in less than anticipated reimbursement revenue. The result of the revenue decrease is a corresponding use of retained earnings, which is already in a negative position of \$2.2 million due to a sizable liability increase based on an actuarial analysis of the fund completed at the end of the Fiscal Year 2009-2010.

In preparation for the Third Quarter Financial Report, the Risk Management Division conducted an analysis of this budget in light of current and future litigation against Stanislaus County and the actuarial report completed at the end of Fiscal Year 2009-2010 that estimated \$5 million in current and long-term liabilities. In preparation for the next actuarial report at the end of the current fiscal year, the Risk Management Division is gathering improved data analysis and case review that is anticipated to mitigate factors that attributed to the increase of the County's outstanding liabilities.

| Budget Unit | Recommended | | | Description |
|--|----------------|--------------------|------------------------------------|--|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| CEO - General Liability Self-Insurance Fund | \$0 | (\$600,000) | \$600,000 | Decrease revenue estimates due to lower-than-anticipated insurance reimbursement revenue received in the current year. |
| Total | \$0 | (\$600,000) | \$600,000 | |

Summary of Recommendations: It is recommended to decrease estimated revenue for the Risk Management - General Liability by \$600,000 funded by retained earnings.

GENERAL SERVICES AGENCY

Facilities Maintenance: In the Mid-Year Financial Report the General Services Agency (GSA) recommended a reduction-in-force in the Facilities Maintenance Division to address a revenue shortfall and to respond to the continued decrease of requested services. At third quarter, the Department is projecting a net shortage of approximately \$183,000 this fiscal year, which includes reduction-in-force cash outs of approximately \$58,000. While the Department has made every effort to contain costs and control overhead, revenue continues to be lower than budgeted, particularly in General Fund departments. As service demand continues to decline, GSA is requesting a transfer of appropriations of \$94,965 from the Purchasing budget to offset the projected revenue shortfall. With the transfer of appropriations, the Department projects a remaining shortfall balance of \$88,035, which is approximately 1% of the Facilities Maintenance Fiscal Year 2010-2011 budget. Overhead rates will be adjusted to ensure the division does not end the fiscal year in a negative position and rates will be reviewed again as part of the Proposed Budget, to account for changes in insurance, retirement, and other mandatory expenditures. The Department will continue to monitor this budget and any additional savings achieved in other areas will be used to decrease the overhead rate.

Fleet Services: The Fleet Services Division has experienced a decline in requested services. This can be attributed to a decrease in staffing county-wide as well as a reduction in mileage in excess of 100,000 miles per month. As a result of this trend the Department requested a reduction-in-force in the Mid Year Financial Report of one filled Equipment Service Technician position. At that time, the Department anticipated that the decline in service requests had leveled off, however the requests continue to decline. The Department is unable to fill a vacant Storekeeper position and is requesting the use of retained earnings to address the projected \$55,000 shortfall in estimated revenue in this fiscal year. Currently the Fleet Services budget has a balance of \$851,699 in retained earnings.

Purchasing: The Purchasing Division had a total balance of \$27,447 year-end carry over savings from Fiscal Year 2009-2010. The Department is projecting a savings of \$67,518 in the current fiscal year and is requesting to decrease appropriations by \$94,965 in the Purchasing budget and transfer existing appropriations to the Facilities Maintenance budget to fund a projected shortfall.

| Budget Unit | Recommended | | | Description |
|------------------------|----------------|-------------------|------------------------------------|--|
| | Appropriations | Revenue | Fund Balance/ Retained Earnings | |
| Facilities Maintenance | \$94,965 | \$0 | \$94,965 | Increase in appropriations through a transfer from existing appropriations in the Purchasing budget. |
| Fleet Services | \$0 | (\$55,000) | \$55,000 | Decrease in projected revenue funded by retained earnings. |
| Purchasing | (\$94,965) | \$0 | (\$94,965) | Decrease in appropriations in the Purchasing budget and transfer existing appropriations to the Facilities Maintenance budget to fund a revenue shortfall. |
| Total | \$0 | (\$55,000) | \$55,000 | |

Staffing Requests: The Department is requesting to unfund one vacant Sr. Buyer position and one vacant Storekeeper I position. Funding for these positions is not sustainable into Budget Year 2011-2012. This action supports the Department's budget balancing strategy.

| GENERAL SERVICES AGENCY STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT | | | | | |
|---|-----------|-----------------|----------------|----------------|------------------------|
| BUDGET UNIT | POSITIONS | POSITION NUMBER | CLASSIFICATION | REQUEST | RECOMMENDATION |
| Fleet Services | -1 | 11741 | Storekeeper I | Unfund vacancy | Unfund vacant position |
| Purchasing Division | -1 | 11490 | Sr. Buyer | Unfund vacancy | Unfund vacant position |
| GSA Changes | -2 | | | | |
| Beginning Allocation | 54 | | | | |
| Changes in Allocation | -2 | | | | |
| Ending Allocation | 52 | | | | |

Summary of Recommendations: It is recommended to decrease estimated revenue by \$55,000, funded by retained earnings in Fleet Services. It is further recommended to transfer appropriations of \$94,965 from the GSA Purchasing budget to the Facilities Maintenance budget to fund a projected revenue loss. It is also recommended to give authority to the General Services Agency to use additional savings in the GSA Purchasing and Administration budgets to offset any further shortfall the Facilities Maintenance Division budget may experience at year-end. It is further recommended the staffing changes described and outlined in the table above be adopted.

SUMMARY

Overall, appropriations and estimated revenue for Efficient Delivery of Public Services are recommended to decrease by \$4,500 and \$655,000 respectively. Included in the adjustment is a transfer of \$122,085 from Appropriations for Contingencies that is being recommended for the CEO-General Fund Contribution to Other Programs for the North McHenry tax sharing agreement with the City of Modesto and Grand Jury to fund the Civil Grand Jury Fees. Use of Appropriations for Contingencies requires a four-fifths vote of the Board of Supervisors.

2010-2011 ENCUMBRANCE CARRYOVER


As part of the Chief Executive Office year-end closing of the County's financial records, it will be necessary to establish year-end carryover designations of current year funding for projects that will occur next fiscal year. A preliminary summary of proposed designations is included in the following chart, and reflects an overall estimated recommendation of \$2,603,380.

| <u>2010-2011 YEAR-END CARRYOVER - ENCUMBRANCES</u> | | |
|---|---------------------|---|
| Department | Amount | Description |
| GENERAL FUND | | |
| Chief Executive Office- County Facilities | \$ 154,000 | Laird Park Shooting Range Clean-Up Project |
| Chief Executive Office - County Facilities | \$ 131,000 | SBT Data Center Project |
| Chief Executive Office - Crows Landing Air Facility | \$ 925,000 | Planning and Environmental Services |
| Chief Executive Office - Office of Emergency Services | \$ 30,000 | CAD Development Project and Weed Abatement Services |
| Chief Executive Office - Operations and Services | \$ 60,000 | Supervisory Redistricting Project |
| Chief Executive Office Plant Acquisition | \$ 342,500 | CADD IPSS Project |
| Chief Executive Office Plant Acquisition | \$ 75,000 | 2nd Street Driveway Improvements for SB-81 Juvenile Commitment Facility Project |
| Parks and Recreation | \$ 490,000 | Parks Master Plan - Salida Park Project |
| TOTAL GENERAL FUND | \$ 2,207,500 | |
| INTERNAL SERVICE FUNDS | | |
| Strategic Business Technology | \$ 11,866 | Enterprise Software License Agreement |
| Strategic Business Technology | \$ 106,000 | SBT Data Center Capital Project |
| Strategic Business Technology | \$ 50,212 | PeopleSoft 9.1 Upgrade Extended License |
| Strategic Business Technology | \$ 162,802 | PeopleSoft 9.1 Upgrade Tech. Assistance |
| Strategic Business Technology - Telecom | \$ 50,000 | SBT Data Center Project |
| Strategic Business Technology - Telecom | \$ 15,000 | Voice over Internet Protocol Projects |
| TOTAL INTERNAL SERVICE FUNDS | \$ 395,880 | |
| TOTAL ALL FUNDS | \$ 2,603,380 | |

BUDGET SCHEDULE

The following schedule is recommended for the 2011-2012 Recommended Proposed and Final Budget:

- ◆ May 27, 2011 2011-2012 Recommended Proposed Budget available to the Public
- ◆ June 7, 2011 2011-2012 Recommended Proposed Budget Presentation and Public Hearing to the Board of Supervisors
- ◆ September 13, 2011 2011-2012 Final Budget Presentation and Public Hearing to the Board of Supervisors



PowerPoint Presentation

Stanislaus County Third Quarter Report



Third Quarter Goals

- Determine fiscal performance of the County Budget for the first 9 months of the fiscal year
- Identify outstanding budget issues
- Make adjustments to end the fiscal year in a positive financial position
- Look ahead to the coming budget year

Third Quarter Report

The 2010-2011 Third Quarter Financial Report is organized by the seven Board of Supervisors Priorities of:

A Safe Community;

A Healthy Community;

A Strong Local Economy;

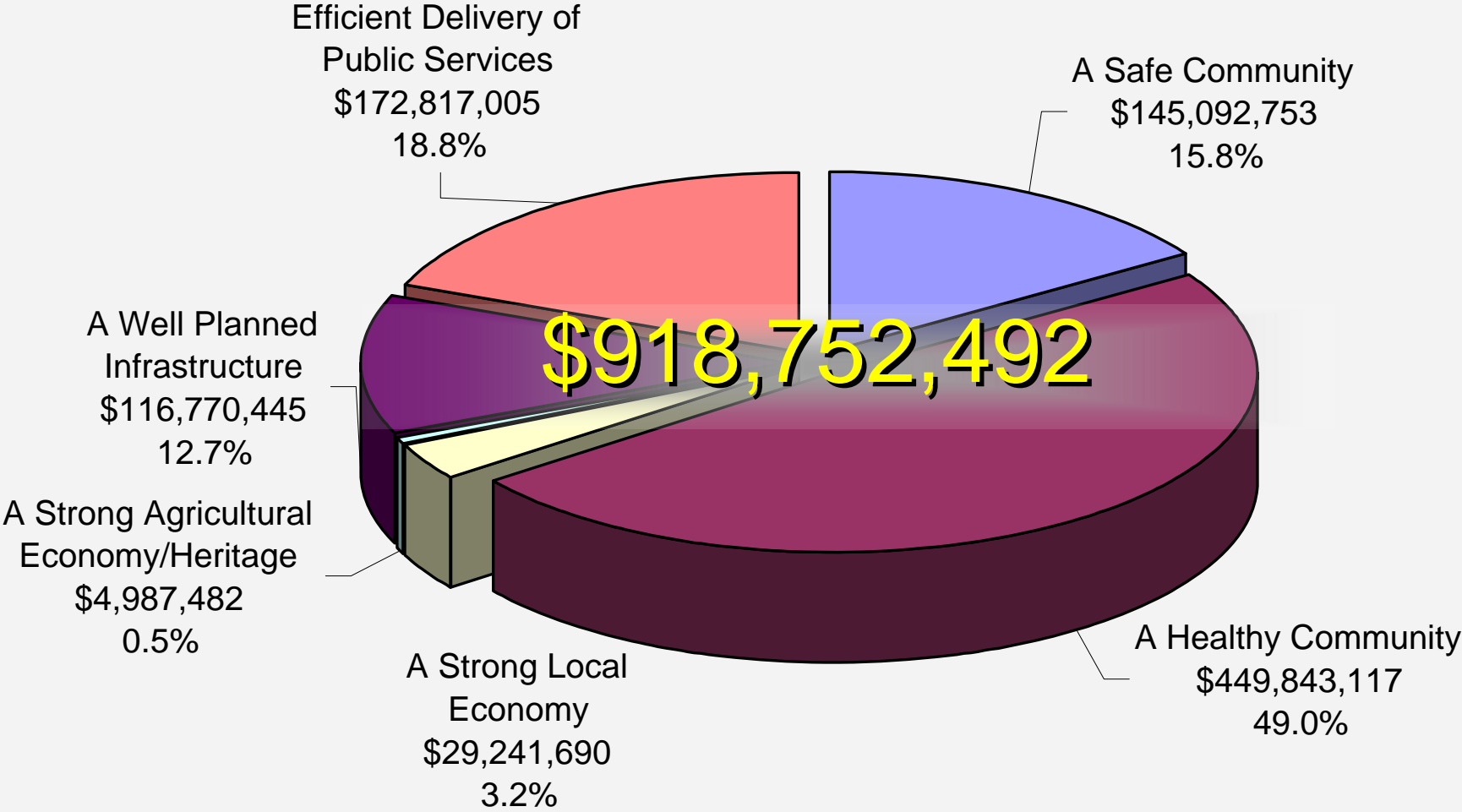
Effective Partnerships;

A Strong Agricultural Economy/Heritage;

A Well Planned Infrastructure System; and

Efficient Delivery of Public Services

Final Adopted Budget 2010-2011



Adjustments by Priority

| | Recommended Appropriations | Recommended Revenue | Recommended Fund Balance/ Retained Earnings | Appropriations for Contingencies |
|--|----------------------------|----------------------|---|----------------------------------|
| A Safe Community | \$ 3,197,488 | \$ 165,000 | \$ 3,032,488 | \$ 4,500 |
| A Healthy Community | 14,411,164 | 11,408,644 | 3,002,520 | - |
| A Strong Local Economy | - | - | - | - |
| A Strong Agricultural Economy/Heritage | - | - | - | - |
| A Well-Planned Infrastructure System | - | - | - | - |
| Efficient Delivery of Public Services | (4,500) | (655,000) | 650,500 | 117,585 |
| Total | \$ 17,604,152 | \$ 10,918,644 | \$ 6,685,508 | \$ 122,085 |

Stanislaus County



Discretionary Revenue

| Discretionary Revenue Description | Fiscal Year 2010-2011 Final Budget | Mid-Year 2010-2011 Projections | 3rd Quarter 2010-2011 Projections | Difference between Mid-Year & 3rd Q Projections |
|--------------------------------------|--|--------------------------------------|---|---|
| Taxes | \$ 101,593,000 | \$ 101,063,034 | \$ 101,057,034 | \$ (6,000) |
| Licenses, Permits & Franchises | 957,000 | 957,000 | 957,000 | - |
| Fines, Forfeitures & Penalties | 6,425,000 | 6,100,000 | 6,100,000 | - |
| Revenue from Use of Money | 2,542,000 | 2,809,220 | 1,531,000 | (1,278,220) |
| Intergovernmental Revenue | 30,371,000 | 30,474,148 | 31,465,280 | 991,132 |
| Charges for Services | (454,000) | (454,000) | (428,587) | 25,413 |
| Miscellaneous Revenues | 166,000 | 166,000 | 125,343 | (40,657) |
| Other Financing Sources | 2,308,000 | 3,051,111 | 3,051,111 | - |
| Total | \$ 143,908,000 | \$ 144,166,513 | \$ 143,858,181 | \$ (308,332) |

A Safe Community

| | Recommended Appropriations | Recommended Revenue | Recommended Fund Balance/ Retained Earnings | Appropriations for Contingencies |
|------------------|----------------------------|---------------------|--|----------------------------------|
| A Safe Community | \$ 3,197,488 | \$ 165,000 | \$ 3,032,488 | \$ 4,500 |

A Safe Community

Chief Executive Office-County Court Funding:

State maintenance of effort costs \$105,000

Chief Executive Office-Criminal Justice Facilities Fund:

Increase appropriations by \$2,732,528 in Operating Transfers Out funded from fund balance to the Juvenile Commitment Center as part of the financing previously approved by the Board of Supervisors on December 21, 2010

A Safe Community

Grand Jury: Grand Jury fee funded by
Appropriations for Contingencies \$4,500

Sheriff: Replacement motorcycle for the City of
Patterson and vehicle for the Detention Civil
Division \$60,000 funded by City of Patterson and
Sheriff fund balance

A Healthy Community

| | Recommended Appropriations | Recommended Revenue | Recommended Fund Balance/ Retained Earnings | Appropriations for Contingencies |
|---------------------|----------------------------|---------------------|--|----------------------------------|
| A Healthy Community | \$14,411,164 | \$11,408,644 | \$3,002,520 | \$0 |

A Healthy Community

Area Agency on Aging: Additional Federal funding for senior services \$181,832

Child Support Services: Departmental contingencies to fund two performance improvement projects \$400,000

A Healthy Community

Community Services Agency: Increase appropriations by \$9,549,332 and estimated revenue by \$8,886,812 resulting in the use of \$662,520 of departmental fund balance to fully fund In-Home Supportive Services

Health Services Agency: Increase appropriations by \$4,680,000 and estimated revenue by \$2,340,000 resulting in the use of \$2,340,000 in departmental fund balance to fully fund the Medically Indigent Adult program

Efficient Delivery of Public Services

| | Recommended Appropriations | Recommended Revenue | Recommended Fund Balance/ Retained Earnings | Appropriations for Contingencies |
|---------------------------------------|----------------------------|---------------------|---|----------------------------------|
| Efficient Delivery of Public Services | (4,500) | (655,000) | 650,500 | 117,585 |

Efficient Delivery of Public Services

Chief Executive Office-Risk Management: Decrease estimated revenue by \$600,000 resulting in an increase to current retained earnings deficit of \$2.2 million in the General Liability fund, which will be recovered in future budget years

General Services Agency: Decrease revenue by \$55,000 in GSA-Fleet Services due to reduced demand for services; funded by retained earnings

Efficient Delivery of Public Services

Chief Executive Office-General Fund Contribution to

Other Programs: Increase County contribution for Stanislaus County Animal Services Agency by \$11,822 to fully fund the Joint Powers Agreement. This increase is offset by corresponding reduction in funding for CEO-Department of Justice Alcohol and Drug program

No Recommended Changes For:

A Strong Local Economy

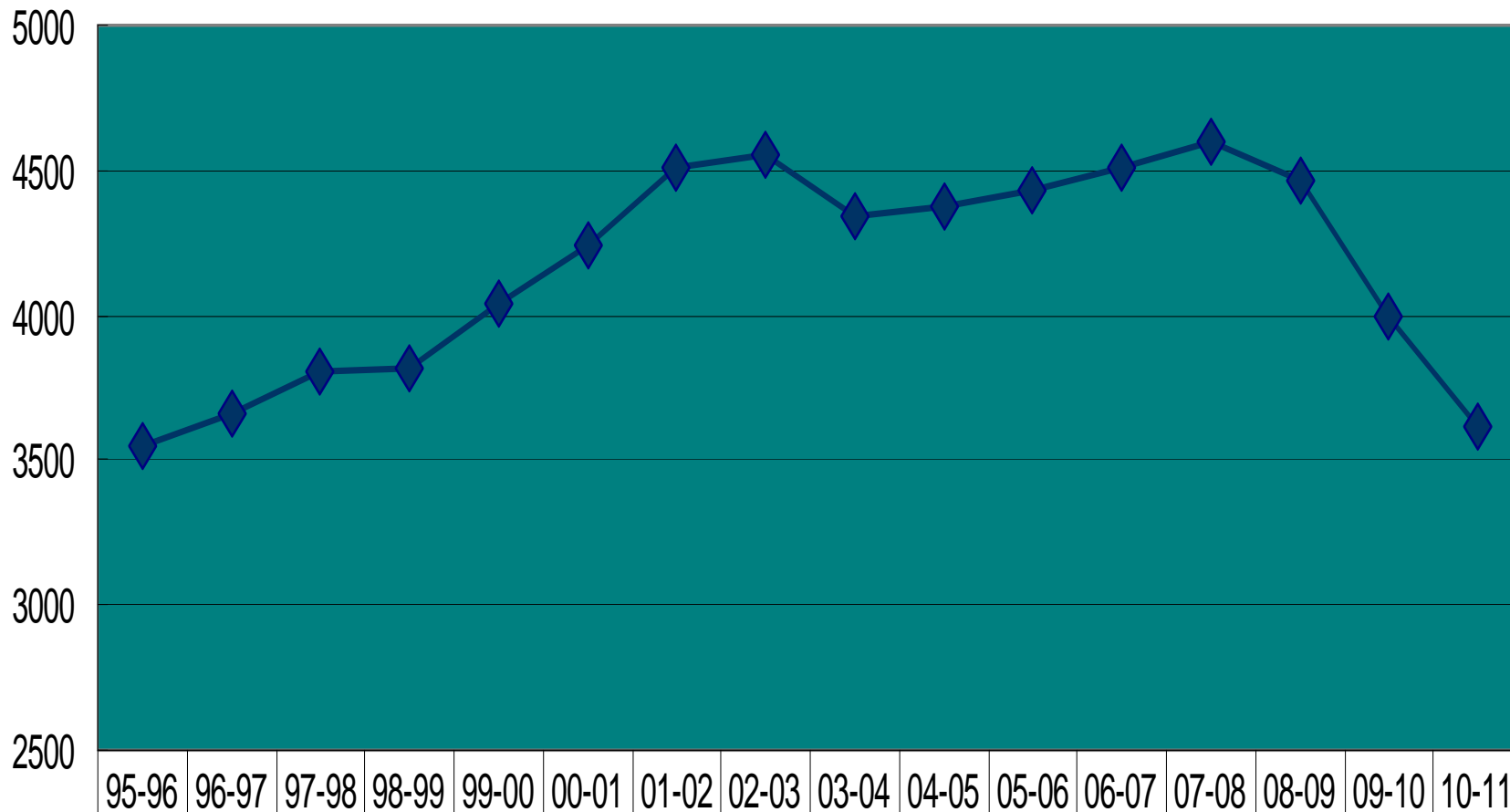
A Strong Agricultural Economy/Heritage

A Well Planned Infrastructure System

Staffing Recommendations

| | | |
|--|------------------------|-------------|
| TOTAL CURRENT AUTHORIZED POSITIONS | | 3614 |
| Alliance Worknet | Unfund vacant position | -2 |
| General Services Agency | Unfund vacant position | -2 |
| Sheriff | Unfund vacant position | -1 |
| Stanislaus Regional 9-1-1 | Unfund vacant position | -2 |
| Total Changes to Position Allocation Report | Unfund vacant position | -7 |
| RECOMMENDED AUTHORIZED POSITIONS | | 3607 |

Staffing Recommendations

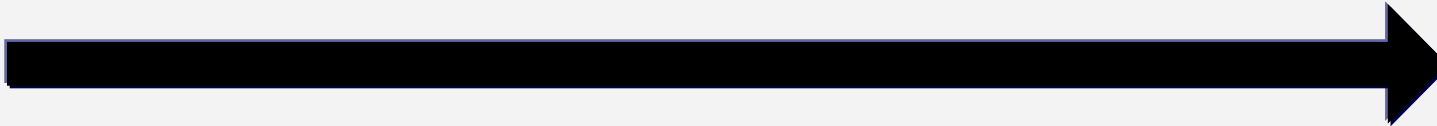


| | | | | | | | | | | | | | | | | |
|------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| ◆ Staffing | 3554 | 3659 | 3808 | 3814 | 4044 | 4236 | 4510 | 4550 | 4346 | 4379 | 4429 | 4509 | 4603 | 4459 | 3990 | 3607 |
|------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|

Budget Reporting Schedule

Proposed Budget-June 2011

Final Budget-Sept 2011



May

June

Jul

Aug

Sept

Stanislaus County



Proposed Budget Assumptions

- Originally projected a General Fund shortfall of over \$28 million for Budget Year 2011-2012
- Final \$8 million of \$24 million of reserves that was initially committed in 2009-2010 for 3 years
- Original plan identified \$14.1 million in program and service reductions and the use of \$14.2 million in reserves

Proposed Budget Assumptions

| | Original Plan 2011-2012 | Current Projection 2011-2012 | Difference |
|---------------------------|----------------------------|---------------------------------|----------------|
| General Fund Expenditures | \$ 231,851,961 | \$ 231,335,078 | \$ 516,883 |
| Discretionary Revenue * | \$ (144,103,000) | \$ (139,942,640) | \$ (4,160,360) |
| Departmental Revenue | \$ (73,478,961) | \$ (73,478,961) | \$ - |
| One-time | \$ (8,000,000) | \$ (8,000,000) | \$ - |
| Fund Balance | \$ - | \$ (5,413,173) | \$ 5,413,173 |
| StanCERA Contribution | \$ (6,270,000) | \$ (4,500,304) | \$ (1,769,696) |
| Teeter Assignment | \$ - | \$ - | \$ - |
| Total Resources | \$ (231,851,961) | \$ (231,335,078) | \$ (516,883) |
| Balance | \$ - | \$ - | \$ - |

*Discretionary Revenue includes 4.5% drop in Property Tax

Proposed Budget Assumptions

- Identified discretionary programs for potential elimination of county funding
- Issued targeted reductions up to 30% for non-public safety programs; and up to 17% for public safety programs due to unprecedented discretionary revenue loss

Proposed Budget Assumptions

- Discretionary revenue declined \$36.6 million from \$180.8 million in 2007-2008 to a low of \$143.8 million in 2010-2011, probability of further decline in 2011-2012
- Sales and Use taxes showing some gradual signs of improvement; total property taxes, our single largest revenue source, continue to decline

Proposed Budget Assumptions

- Continuation of the 5% across-the-board pay reduction through Budget Year 2011-2012
- No back-fill policy for State Budget reductions

Proposed Budget Assumptions

- General Fund departments carry over 100% of unexpended 2009-2010 net county cost savings
- General Fund departments carry over 75% of their net county cost savings as of June 30, 2011

Proposed Budget Exposures

- General Liability costs have increased \$2.3 million
- State Budget uncertainty
- Potential impact for Sheriff, Probation, and the District Attorney from loss of Vehicle License Fees (VLF) and sunset of ½ cent sales tax extensions

Proposed Budget Exposures

- In-Home Supportive Services \$2.1 million exposure due to loss of enhanced Federal Medical Assistance Percentages (FMAP) funding
- Medically Indigent Adult \$2.9 million exposure due to increased enrollment and changes to patient share of cost at time of service

Proposed Budget Exposures

- Cash Aid/Welfare: \$1.9 million exposure due to increased need for services
- General Assistance: \$160,000 exposure due to increased need for services

Recommendations

1. Accept the Chief Executive Officer's Third Quarter Financial Report for Fiscal Year 2010-2011.
2. Authorize the Chief Executive Officer and the Auditor-Controller to make the necessary adjustments as recommended in the Third Quarter Financial Report.

Recommendations

3. Authorize the transfer of \$122,085 from Appropriations for Contingencies as recommended in the Third Quarter Financial Report by a 4/5 Vote of the Board of Supervisors.

Recommendations

4. Authorize the Department of Child Support Services to transfer \$400,000 from the departmental contingency account into other accounts to appropriately fund performance improvement projects.

Recommendations

5. Authorize the Auditor-Controller to make necessary year-end closing entries as approved by the Chief Executive Officer.

Recommendations

6. Amend the Salary and Position Allocation Resolution to reflect the recommendations as part of the Third Quarter Financial Report, as outlined in the Staffing Impacts section and detailed in Attachment A to be effective the start of the May 7, 2011 pay period.

Recommendations

7. Approve contracts and/or agreements listed on Attachment B in cumulative amounts of \$100,000 or greater since July 1, 2008.

Recommendations

8. Set a public hearing for the consideration and adoption of the Budget Year 2011-2012 Proposed Budget on June 7, 2011 at 9:05 a.m., and related actions.



**Third Quarter Report available at
<http://stancounty.com/bos/agenda-minutes.shtm>**





Questions



**NOTICE OF PUBLIC HEARING
STANISLAUS COUNTY
RECOMMENDED PROPOSED BUDGET
BUDGET YEAR 2011-2012**

NOTICE IS HEREBY GIVEN that on Tuesday, June 7, 2011, at 9:05 a.m., or as soon thereafter as the matter may be heard, the Stanislaus County Board of Supervisors will meet in the Basement Chambers, 1010 10th Street, Modesto, CA, to open the hearing and consider the approval of the Recommended Proposed Budget, Budget Year 2011-2012. If necessary, the hearing for the Recommended Proposed Budget may be continued to June 8, 2011 and June 9, 2011 at 9:00 a.m. for further staff and public comment.

ADDITIONAL NOTICE IS GIVEN that on May 27, 2011, at 3:00 p.m., the Recommended Proposed Budget document will be available for review online at <http://www.stancounty.com/budget/index.shtm> and at the Chief Executive Office, 1010 10th St., Suite 6800, Modesto, CA. In addition, the Recommended Proposed Budget document will be available for review at all the Stanislaus County branch libraries after May 27, 2011.


NOTICE IS FURTHER GIVEN that at the said time and place, interested persons will be given the opportunity to be heard. For further information, contact Patricia Hill Thomas or Stan Risen, Stanislaus County Chief Executive Office, (209) 525-6333 or at 1010 10th Street, Suite 6800, Modesto, CA.

BY ORDER OF THE BOARD OF SUPERVISORS

DATED: May 3, 2011

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk
of the Board of Supervisors
of the County of Stanislaus,
State of California

BY:


Elizabeth A. King, Assistant Clerk of the Board

**DECLARATION OF PUBLICATION
(C.C.P. S2015.5)**

**COUNTY OF STANISLAUS
STATE OF CALIFORNIA**

I am a citizen of the United States and a resident Of the County aforesaid; I am over the age of Eighteen years, and not a party to or interested In the above entitle matter. I am a printer and Principal clerk of the publisher of **THE MODESTO BEE**, printed in the City of **MODESTO**, County of **STANISLAUS**, State of California, daily, for which said newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of **STANISLAUS**, State of California, Under the date of **February 25, 1951, Action No. 46453**; that the notice of which the annexed is a printed copy, has been published in each issue there of on the following dates, to wit:

May 27, 2011, Jun 02, 2011

**NOTICE OF PUBLIC HEARING
STANISLAUS COUNTY
RECOMMENDED
PROPOSED BUDGET
BUDGET YEAR 2011-2012**

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BY ORDER OF THE BOARD OF SUPERVISORS. DATED: May 3, 2011.
ATTEST: CHRISTINE FERRARO TALLMAN, Clerk of the Board of Supervisors of the County of Stanislaus, State of California. BY: Elizabeth A. King, Assistant Clerk of the Board
Pub Dates May 27, Jun. 2, 2011

I certify (or declare) under penalty of perjury
That the foregoing is true and correct and that
This declaration was executed at

MODESTO, California on

June 2nd, 2011

(By Electronic Facsimile Signature)

Marie Dieckman



BOARD OF SUPERVISORS

2011 JUN 17 A 8:28

COMMUNITY SERVICES AGENCY

Christine C. Applegate
Director

251 E Hackett Road
P.O. Box 42, Modesto, CA 95353-0042

Phone: 209 558 2500 Fax: 209 558 2558

MEMO TO: SUZI SEIBERT
CLERK TO THE BOARD OF SUPERVISORS

FROM:  SHANNEN LOVE
CONTRACTS ADMINISTRATION

DATE: JUNE 16, 2011

SUBJECT: FULLY EXECUTED CONTRACT

=====

Enclosed for your record is the fully executed original of the following Agreement:

- ◆ National Council on Crimes and Delinquency – SafeMeasures Subscription, effective 5/1/11 through 6/30/13, BOS #2011-272, May 3, 2011, Board Agenda #B-5

If you have any questions regarding the above documents, please call me at 558-1430.

Thank you.



Reporting Service Subscription Agreement For Internet Access to SafeMeasures[®]

This agreement is between the National Council on Crime and Delinquency (“NCCD”), a non-profit corporation organized under the laws of New York, with business offices in Madison, Wisconsin, USA and the Stanislaus County Community Services Agency (“Customer”).

BACKGROUND AND PRODUCT DESCRIPTION

- A. NCCD has developed and owns all rights, title and interest in a certain child welfare reporting service identified as the NCCD Internet Reporting Service, and referred to as SafeMeasures[®]. SafeMeasures uses case level data from a child welfare agency’s management information system (MIS) and publishes it via a conventional web-browser in a series of concise, interactive management reports.

- B. SafeMeasures is a subscription reporting service which permits customers to monitor service delivery activity by navigating an extensive set of reports presented in graph and chart format. These reports permit them to estimate current workload demand, plan more effective service interventions and monitor certain performance indicators established by state or federal regulatory requirements. SafeMeasures includes case level quality control displays which agencies may employ to improve compliance with state or federal performance audits.

Acknowledging the sufficiency of the consideration exchanged, the parties agree as follows:

1. Provision of Service.

1.1 Web-based Reports. During the Term of this Agreement, NCCD will provide Customer with interactive web-based management reports (“Management Reports”), which permit the Customer to categorize agency compliance with various measures, and permit Customer to identify the specific cases within each category. NCCD will specifically:

- (a) Provide Management Reports within 45 business days after first receiving raw MIS data from the Customer, and

- (b) Provide regular updates of Management Reports, provided that Customer or another agency regularly submits raw MIS data to NCCD for processing and analysis. Such updates will be provided within three business days of receipt of the MIS data by NCCD.

1.2 Access to Customer Data. If requested by NCCD, Customer will supply a copy of the CWS/CMS databases, or specifically designated data tables therein, that store

agency data to be used by NCCD. If data is supplied by a third party, Customer will authorize and facilitate release of the data to NCCD.

- 1.3 Access to Website Restricted: The right to access the SafeMeasures website is jurisdiction and agency-specific. Only Customer and its employees or agents may access or use the SafeMeasures website for the Customer's monitoring and reporting needs. Specifically, and without limitation, Customer may not act as a relay or intermediary allowing access to the SafeMeasures website to any third party jurisdiction, agency, individual, or business for any purpose.
- 1.4 Internal Business. Customer may only use SafeMeasures for its own internal purposes. Customer's internal purposes do not include extending this service to third parties, except that data may be provided to state and governmental authorities if required by law.
- 1.5 Competing Services or Products. Customer shall not use all or any part of SafeMeasures or its documentation to create a service or product that competes with, or is used in a product that competes with, all or any part of SafeMeasures, regardless of whether such service or product is distributed with or without consideration.
- 1.6 Copyright Ownership and License. Customer acknowledges that NCCD owns the copyright in all graphic interfaces, reports, displays and formats, ("Original Works"). NCCD grants Customer a fully-paid license to display, reproduce and distribute the Original Works for its internal purposes with no sub-licensing rights for the Term of the Agreement.
- 1.7 Training. NCCD will provide training as specified in Exhibit A. Customer will provide training facility, equipment, and access to NCCD Internet training site.
2. Data Transmission. Customer, or other party supplying MIS data, shall use one of the following methods to send weekly extracts of agency MIS data to NCCD for processing and analysis:
 - 2.1 Compact Disk. Customer or supplying party will copy data onto one or more compact disks and mail to NCCD via overnight delivery service; or
 - 2.2 Secured File Transfer Protocol (SFTP) over Secure Shell (SSH). Customer or supplying party will send data over a secure channel to NCCD's secure SSH server. This transfer may be made using a dedicated SSH file transfer client.
3. Reporting Service Subscription Fee. Customer will pay NCCD the fees ("Reporting Service Subscription Fees") according to the payment schedule specified in attached Exhibit A and all applicable taxes related thereto unless Customer provides evidence that Customer is exempt from such taxes.
4. Updates. During the Term of this Agreement, NCCD will provide to Customer updates, error corrections, and modifications to SafeMeasures displays ("Updates") as such Updates become available. Updates do not include modifications to displays specifically

requested by Customer. Any Customer requested modifications must be made by NCCD at NCCD's published service rates. NCCD reserves the right to use the displays created for Customer, and analyses to produce such displays for other parties whether such displays were suggested by NCCD or the Customer. NCCD shall not use any Customer data in its publishing for other parties without Customer's permission.

5. Term and Termination.

5.1 Term. The Term of this Agreement shall commence on May 1, 2011 and end on June 30, 2013 unless earlier terminated pursuant to Section 5.3. After expiration of the current Term, NCCD will not provide any Updates to Customer, and Customer must cease all use of SafeMeasures.

5.2 Renewal. If Customer is not in default of this agreement, Customer and NCCD may renew this agreement for an additional period ("Renewal Term"). Prior to the expiration of the current Term, NCCD may, in its discretion, issue a quotation of the Reporting Service Fees for the Renewal Term. Renewal of this Agreement will be effective upon (a) NCCD's issuance of a quotation of the new Reporting Service Fees, and (b) NCCD's acceptance of Customer's corresponding purchase order.

In order to ensure continuous access to the SafeMeasures internet reporting service, the effective date of any renewal agreement will begin one day after the previous agreement expires. If a renewal agreement is not fully executed and received by NCCD within 30 days of contract expiration, NCCD reserves the right to discontinue access to the SafeMeasures internet reporting service until a renewal agreement is in place.

5.3 Termination for Cause. A party may terminate this Agreement if the other party commits a material breach that is not cured within 30 days of a written notice of such material breach. This Agreement may be terminated immediately for a breach of Customer's obligation to pay fees under this Agreement or a breach of Sections 1.3, 1.4, or 1.5 of this Agreement.

6. NCCD Warranty, Disclaimers, and Remedies.

6.1 Warranty. NCCD warrants that:

(a) Provided that Customer or another designated party regularly submits the required raw MIS data to NCCD, SafeMeasures will perform substantially as described in this Agreement and SafeMeasures promotional material.

(b) It is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in covered transactions by any federal department or agency. NCCD also warrants that it is not suspended or debarred from receiving federal funds as listed in the List of Parties Excluded from Federal Procurement or Non-procurement Programs issued by the General Services Administration.

- (c) NCCD will utilize all reasonable means and due diligence to protect the confidentiality and security of Customer data.
- (d) Except for the foregoing express warranties, NCCD neither makes nor grants any other warranties, express or implied. NCCD excludes all implied warranties including specifically any implied warranty arising by statute or otherwise in or from a course of dealing or usage of trade including any and all implied warranties of merchantability, merchantable quality, or fitness for any purpose, particular, specific or otherwise. The foregoing express warranty is the only warranty of any kind for SafeMeasures. NCCD makes no warranties whatsoever for any Original Works that have been modified by Customer nor does NCCD warrant that SafeMeasures will be offered without interruption.
- (e) Customer acknowledges that NCCD provides no monitoring, analysis or review of the accuracy or quality of the Customer's data accessed through SafeMeasures.

6.2 Remedies. If SafeMeasures does not operate substantially as warranted (hereinafter described as "Noncompliance"), Customer will provide NCCD with sufficient details available to Customer about the Noncompliance to allow NCCD to reproduce it. As Customer's exclusive remedy for any Noncompliance, and as NCCD's entire liability in contract, tort, or otherwise of such Noncompliance, NCCD will either:

- (a) Correct the Noncompliance; or
- (b) If NCCD is unable to correct the Noncompliance after a reasonable opportunity to do so, Customer may:
 - (i) Request that NCCD cease publication of any demonstrably incorrect information and request a pro-rata reduction in the Reporting Service fee; or
 - (ii) Terminate the Reporting Service Subscription and receive a pro-rated refund of the Reporting Service Subscription Fee.

7. Intellectual Property Indemnification by NCCD.

7.1 Indemnification. If a third party claims that SafeMeasures infringes any copyright, patent, trade secret, or other rights of any third party, NCCD will (as long as Customer is not in material breach of this Agreement) defend Customer against such claim at NCCD's expense and NCCD will pay all damages that a court finally awards based solely on such claim, provided that Customer notifies NCCD in writing of such claim within 21 days of Customer's receipt of notice of the existence or possible existence of such claim, and further provided that Customer allows NCCD sole and exclusive control over the resolution of such claim and that Customer cooperates fully with NCCD, at NCCD's cost, in the defense of such claim and in any related settlement negotiations.

- 7.2 Replacement, Refund. If such a claim is made or appears possible, NCCD may, using reasonable business judgment, either secure Customer's right to continue to use SafeMeasures by modifying or replacing the portion of SafeMeasures that is the basis for the claim so that such portion of SafeMeasures is no longer infringing, or NCCD may provide Customer with a credit equal to the portion of previously paid Reporting Service Fee prorated to the remainder of the Term or Renewal Term of the Agreement.
8. Limitation of NCCD's Liability, Consequential Damages. The cumulative liability of NCCD to Customer for all claims relating to SafeMeasures and any services rendered under this Agreement, will not exceed the total amount of all Reporting Service Subscription Fees paid to NCCD by Customer for SafeMeasures during the one-year period prior to the date NCCD is notified of such claim. This limitation will not apply to third parties indemnification obligations set forth in Section 7. In no event will NCCD be liable for any special, indirect, incidental or consequential losses or damages even if NCCD has been advised of the possibility of such potential loss or damage. Except as set forth in Section 7, and solely to the extent provided therein, NCCD will not indemnify Customer in any way against any claim.
9. Customer Warranties. Customer warrants that:
- 9.1 Customer will only allow access to SafeMeasures as permitted under this Agreement. If Customer wishes to extend its use of SafeMeasures beyond this Agreement, Customer will obtain NCCD's prior written consent and pay the applicable Reporting Service Subscription Fees.
- 9.2 Customer will provide the requested case-based MIS data to NCCD using one of the methods described in Section 2, or if data is supplied by another party, execute all necessary agreements and permissions to release this data to NCCD.
10. General.
- 10.1 Installation. Customer is responsible for providing access to the SafeMeasures website via the Internet to its users. NCCD will, as requested, provide reasonable assistance (up to three hours) with set-up of user workstations and use of SafeMeasures via telephone, fax, or email at no additional charge to the fees as outlined in Exhibit A. Customer may hire NCCD to provide additional training or assistance at the prevailing published rates plus travel expenses.
- 10.2 Notification of Rights. In copying SafeMeasures web reports as authorized under the terms of this Agreement, Customer will not remove, suppress, or modify any notice of copyright, trademark, or other proprietary rights that appear in SafeMeasures. Customer will use reasonable efforts to keep persons with access to SafeMeasures from modifying or suppressing any of the copyright notices that appear on SafeMeasures media, documentation, files, and banners.
- 10.3 Service Fees. NCCD reserves the right to charge additional service fees if Customer seeks assistance for any other matters not explicitly covered by this Agreement.

- 10.4 Complete Agreement, Modification of this Agreement. This Agreement contains the complete and final agreement of the parties and supersedes previous understandings related to the subject matter hereof whether oral or written. This Agreement may only be modified by an amendment signed by authorized representatives of NCCD and Customer. Any term in Customer's purchase order that is in addition to or different from terms of this Agreement other than acceptance of the Reporting Service Fees for the Renewal Term, are not part of this Agreement.
- 10.5 Non-assignment. Neither this Agreement nor the rights of Customer under this Agreement may be transferred, leased, assigned, or shared without NCCD's prior written consent.
- 10.6 Confidentiality. Customer will not disclose SafeMeasures Original Works to anyone other than its employees, consultants (who are bound by a written confidentiality agreement), volunteers, and interns except for information that is or later enters the public domain through no fault of Customer.
- 10.7 Waiver. The waiver by either party of any default or breach of this Agreement does not constitute a waiver of any other default or breach of this Agreement or a subsequent waiver of that same default or breach.
- 10.8 Governing Law and Severability. The laws of the State of Wisconsin and the United States govern this Agreement. Customer consents to jurisdiction and venue in the courts of Dane County, Wisconsin or in the Federal District court in the Western District of Wisconsin, for any claims arising out of this Agreement. If any part of this Agreement is held to be invalid, that part will be omitted, but the balance of the Agreement will remain in full force and effect.
- 10.9 Survival. All provisions of this Agreement relating to warranties, confidentiality, non-disclosure, proprietary rights, limitation of liability, indemnification obligations, and payment obligation survive the termination or expiration of this Agreement.
- 10.10 Headings. The headings used herein are for reference and convenience only and will not be used to interpret any provision of this Agreement.
- 10.11 HIPAA Compliance. NCCD will utilize all reasonable means and due diligence to protect the confidentiality and security of Customer data. Customer acknowledges that the privacy and security regulations issued pursuant to the Health Insurance Portability and Accountability Act of 1996 (the "HIPAA Privacy and Security Rules") do not apply to the Customer data which is the subject of this Agreement, because the data is not subject to requirements of HIPAA. However, NCCD acknowledges that the Customer data may include health information and other information of a personal and sensitive nature, and will adopt and keep current confidentiality and security procedures that are reasonably consistent with the current professional standards recommended by the HIPAA Privacy and Security Rules.

10.12 Notices. All notices or other communications required or permitted under this Agreement will be in writing and will be delivered by personal delivery, email (with delivery receipt), registered mail return receipt requested, a "Next Day Air" delivery service, or by facsimile transmission, addressed to the parties indicated below:

If to NCCD: NCCD
426 South Yellowstone Drive, Suite 250
Madison WI 53719
Attn: Peter Quigley
Phone: (608) 831-8882
Fax: (608) 831-6446
Email: pquigley@nccdcrc.org

If to Customer: Stanislaus County Community Services Agency
P O Box 42
Modesto, CA 95353-0042
Attention: Christine C. Applegate, Director
Phone: (209)558-3761
Fax: (209)558-2558
Email: ApplegateC@stancounty.com

Contact Person in Janette Newberry, Manager III
Case of System P O Box 42
Maintenance/Outage: Modesto, CA 95353-0042
Phone: (209)558-2344
Fax: (209)558-3315
E-mail: Newbej@stancounty.com

Direct invoices to: Dana Austin, Accounts Payable Supervisor, F3A
P O Box 42
Modesto, CA 95353-0042
Phone: (209)558-2217
Fax: (209)558-2558
E-mail: AustinD@stancounty.com

IN WITNESS WHEREOF, both parties have caused this Agreement to be executed by their respective duly authorized representatives.

Customer:

Approved as to Content:

Jan Clark for
Signature

Christine C. Applegate
Name

Director
Title

5/9/11
Date

NCCD:

Toni Aleman
Signature

Toni Aleman
Name

Dir of Administration
Title

5/24/11
Date

County of Stanislaus

Approved per BOS Item #: 2011-272

Dated: 5/3/11

APPROVED AS TO FORM:
STANISLAUS COUNTY COUNSEL

BY [Signature]
DATE: 4/15/11

Stanislaus County
By: [Signature]
Keith D. Boggs, Deputy Executive Officer,
GSA Director/Purchasing Agent

Exhibit A

Reporting Service and Additional Fees

Reporting Service

\$84,446 (reflects a 10% discount for two year Agreement + pro-ration for May and June)

Payment Schedule

\$45,471 due on May 1, 2011

\$38,975 due on July 1, 2012

Training (if requested by Customer)

Up to two remote training sessions via the internet to train supervisors, managers, and administrators as requested by the County.

Additional/Onsite Support/Training (if requested by Customer)

Time and Materials at \$150 per hour

All Travel Expenses

County Responsibilities

- Provide computer lab for training.
- Designate at least one local SafeMeasures administrator to maintain user IDs and to coordinate with NCCD/CRC the handling of questions or problems regarding SafeMeasures.
- Provide access the Internet SafeMeasures site <https://www.safemeasures.org/ca/>



BOARD OF SUPERVISORS

2011 OCT 14 P 1:39

COMMUNITY SERVICES AGENCY

Christine C. Applegate
Director

251 E Hackett Road
P.O. Box 42, Modesto, CA 95353-0042

Phone: 209 558 2500 Fax: 209 558 2558

MEMO TO: SUZI SEIBERT
CLERK TO THE BOARD OF SUPERVISORS

FROM:  DAWN DeROSSETT
CONTRACTS ADMINISTRATION

DATE: OCTOBER 14, 2011

SUBJECT: FULLY EXECUTED AMENDMENT

=====

Enclosed for your record is the fully executed original of the following amendment:

- Caporicci & Larson, Inc. – Audit Services Amendment #1, effective May 1, 2011 through December 31, 2011.

The original agreement was approved by the Board of Supervisors with Action #2011-272 on May 3, 2011, and was Board Agenda Item #B-5. The above amendment is a language change only; no additional funds have been added.

If you have any questions regarding this document, please call me at 558-2715.

Thank you.



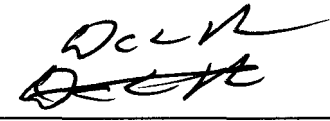
This Agreement has been signed by the parties or their duly authorized representatives to become effective as of the date referenced on the first page.

IN WITNESS WHEREOF, the parties have executed this Agreement in duplicate on the day and year first hereinabove written.

COUNTY OF STANISLAUS

CAPORICCI & LARSON, INC.
(A SUBSIDIARY OF MARCUM, LLP.)

By: 
Keith D. Boggs

By: 

Title: Deputy Executive Officer
GSA Director/Purchasing Agent

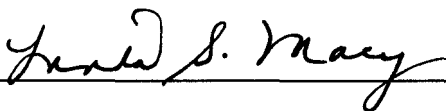
Title: ~~CEO~~ CEO

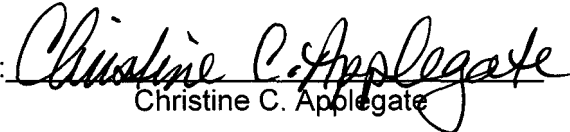
Dated: 10-5-11

Dated: 9/30/11

APPROVED AS TO FORM:
COUNTY COUNSEL
JOHN P. DOERING

APPROVED AS TO CONTENT:
STANISLAUS COUNTY
COMMUNITY SERVICES AGENCY

By: 

By: 
Christine C. Applegate

Title: Deputy County Counsel

Title: Director

Dated: 9-23-11

Dated: 10-4-11

COUNTY OF STANISLAUS

Approved per BOS Item #: 2011-272

Dated: May 3, 2011

August 9, 2011

Ms. Christine Applegate, Director
Stanislaus County Community Services Agency
251 E. Hackett Road
Modesto, CA 95353-0042

**Re: Engagement of Caporicci and Larson, Inc., a Subsidiary of Marcum LLP
(the Firm) as the Agency's Independent Auditors**

Dear Ms. Applegate:

We are pleased to confirm our understanding of the services we are to provide the Stanislaus County Community Services Agency (Agency) for the year ended June 30, 2011. We will audit the financial statements of the Child Development Programs (Programs) as of and for the year ending June 30, 2011.

We have also been engaged to report on supplementary information that accompanies the Programs' basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the basic financial statements as a whole:

- 1) Combining Schedule of Administrative Costs.
- 2) Schedule of Expenditures by State Category.
- 3) AUP 9500-AP Schedules.
- 4) Schedule of Equipment Purchases.
- 5) Schedule of Renovation and Repair Expenses.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the preceding paragraph when considered in relation to the basic financial statements taken as a whole.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of the management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that the Programs are subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Programs or to acts by management or employees acting on behalf of the Programs. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the Programs and their environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Programs' compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee our assistance with the preparation of your financial statements and related notes and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the Programs' activities and the respective changes in financial position, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the Programs involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the programs received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the Programs comply with applicable laws and regulations.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Communication with Those Charged with Governance

As part of our engagement, we are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process as well as other matters we believe should be communicated to those charged with governance. Generally accepted auditing standards do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance. Such matters include, but are not limited to, (1) the initial selection of and changes in significant accounting policies and their application; (2) the process used by management in formulating particularly sensitive accounting estimates and the basis for our conclusions regarding the reasonableness of those estimates; (3) all passed audit adjustments; (4) any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or our report; (5) our views about matters that were the subject of management's consultation with other accountants about auditing and accounting matters; (6) major issues that were discussed with management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards; (7) serious difficulties that we encountered in dealing with management related to the performance of the audit; and (8) matters relating to our independence as your auditors.

Reproduction of Auditor's Report

If you intend to publish or otherwise reproduce the financial statements and make reference to our Firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed. In addition, to avoid unnecessary delay or misunderstanding, it is important that you give us timely notice of your intention to issue any such document.

Assistance By Your Personnel

We will ask that your personnel, to the extent possible, prepare required schedules and analyses, and make selected invoices and other required documents available to our staff. This assistance by your personnel will serve to facilitate the progress of our work and minimize our time requirements.

Background Checks

As a matter of Firm policy, we perform background checks on potential clients and/or on existing clients, on an as-determined basis. The terms and conditions of this engagement are expressly contingent upon the satisfactory completion of our investigatory procedures and we reserve the right to withdraw from any relationship should information which we deem to be adverse come to our attention. The results of all background checks and other investigatory procedures are submitted to, and reviewed by, our Firm's Client Acceptance Committee.

Independence

Professional standards require that a firm and its members maintain independence throughout the duration of the professional relationship with a client. In order to preserve the integrity of our relationship, no offer of employment shall be discussed with any Caporicci & Larson, Inc., a Subsidiary of Marcum LLP professionals assigned to the audit, during the one year period prior to the commencement of the year end audit. Should such an offer of employment be made, or employment commences during the indicated time period, we will consider this an indication that our independence has been compromised. As such, we may be required to recall our auditors' report due to our lack of independence. In the event additional work is required to satisfy independence requirements, such work will be billed at our standard hourly rates. Furthermore, we strive to staff your engagement with quality, superbly trained professionals. In recognition of the extensive investment we have made to recruit and develop our personnel, we ask that you agree to the following. In the event that any of our employees accepts a position of employment with your Organization, or any of its related parties at any time while we are performing services for you or within one year thereafter, you agree to pay us a placement fee equal to the employee's annual compensation in effect on the date such employment was contracted. Such fee is payable when the employee accepts such a position.

Access to Working Papers

The working papers prepared in conjunction with our engagement are the property of Caporicci & Larson, Inc., a Subsidiary of Marcum LLP and constitute confidential information. These working papers will be retained by us in accordance with applicable laws and our Firm's policies and procedures. However, we may be required, by law or regulation, to make certain working papers available to regulatory authorities for their review, and upon request, we may be required to provide such authorities with photocopies of selected working papers.

The Firm is required to undergo a "peer review" every three years. During the course of a Peer Review engagement, selected working papers and financial reports, on a sample basis, will be inspected by an outside party on a confidential basis. Consequently, the accounting and/or auditing work we performed for you may be selected. Your signing this letter represents your acknowledgement and permission to allow such access should your engagement be selected for review.

As a result of our prior or future services to you, we may be required or requested to provide information or documents to you or a third-party in connection with a legal or administrative proceeding (including a grand jury investigation) in which we are not a party. If this occurs, our efforts in complying with such requests or demands will be deemed a part of this engagement and we shall be entitled to compensation for our time and reimbursement for our reasonable out-of-pocket expenditures (including legal fees) in complying with such request or demand. This is not intended, however, to relieve us of our duty to observe the confidentiality requirements of our profession.

Other Services

We are always available to meet with you and/or other management personnel at various times throughout the year to discuss current business, operational, accounting and auditing matters affecting your Organization. Whenever you feel such meetings are desirable please let us know; we are prepared to provide services to assist you in any of these areas.

Timeline

Our engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Fees

As we mutually agreed in the signed contract between the Firm and the Agency with an effective date of May 4, 2011, our fees for these services will be \$22,000 for the year ended June 30, 2011. Additional services provided beyond the described scope of services will be separately.

Report Distribution and Other

We will provide copies of our reports to the Agency; however, management is responsible for distribution of the reports and the financial statements, except as other arrangements have been mutually agreed to. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any subsequent peer review reports received during the period of the contract. Our 2008 peer review report has been provided previously.

Agreement

The purpose of this letter is to communicate professional responsibilities and other matters as required by our professional standards in connection with the services to be performed as agreed to in the contract between the Firm and the Agency which was signed with an effective date of May 4, 2011.

To acknowledge the issues as described in this letter, please sign where indicated below and return to us and we will send you an executed original.

We appreciate the opportunity to be of service to the Agency and believe this letter accurately summarizes the professional terms of our engagement. If you have any questions, please let us know.

Very truly yours,

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP

Carmen Wilson

ACCEPTED

This letter correctly sets forth the agreement of Stanislaus County Community Services Agency.

Authorized Signature: Christine C. Applegate
Christine C. Applegate

Title: Director

Date signed: 10/13/11

APPROVED AS TO FORM:
STANISLAUS COUNTY COUNSEL
BY [Signature]
DATE: 6/2/11