First Quarter Financial Report
July — September 2012

BOARD OF SUPERVISORS

Submitted by
Chief Executive Officer
Monica Nino

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INTRODUCTION

The following is the First Quarter Financial Report submitted by the Chief Executive Office for the period of July 1, 2012 to September 30, 2012 for the 2012-2013 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 department requested adjustments to County budgets since the adoption of the Final Budget in September 2012. It also identifies or provides the status of the County's ongoing challenges and issues based on current information.

BACKGROUND

On September 11, 2012, the Board of Supervisors adopted the Fiscal Year 2012-2013 Final Budget for Stanislaus County. This spending plan of $984.2 million for all funds reflected a 3.2% increase from the 2012-2013 Proposed Budget of $954.1 million and a 10.4% increase from the 2011-2012 Final Budget of $891.1 million. The 10.4% increase was primarily attributable to additional appropriations of $48.5 million in the Public Works-Road and Bridge budget for two critical projects being constructed in the 2012-2013 Fiscal Year. The 2012-2013 Final Budget was balanced using a combination of $930.7 million in revenue and $53.4 million in fund balance and one-time funding sources. It also includes funding for 3,799 allocated full-time positions, an increase of 192 positions from the 2011-2012 Final Budget.

The Final Budget is adjusted throughout the year. These adjustments include carrying forward appropriations for obligations from the previous fiscal year, adjustments as part of quarterly financial reports such as this, as well as adjustments approved as part of any separate Board of Supervisors agenda item. Combined, these adjustments result in an adjusted operating budget.

BUDGET OVERVIEW

Comparison of Final Budget by Fund

Fund Type	FY 2011-2012 Final Budget Appropriations	FY 2012-2013 Final Budget Appropriations	Difference	Percent Change
General	$ 230,029,775	$ 258,693,372	$ 28,663,597	12.5%
Special Revenue	501,756,368	574,171,841	72,415,473	14.4%
Capital Projects	18,839,895	792,010	(18,047,885)	-95.8%
Enterprise	61,262,641	63,624,357	2,361,716	3.9%
Internal Service	79,238,424	86,880,094	7,641,670	9.6%
Total	**$ 891,127,103**	**$ 984,161,674**	**$ 93,034,571**	**10.4%**

Funding Sources of Final Budget by Fund

Fund Type	FY 2012-2013 Final Budget Appropriations	Funding Sources		
		Department Revenue	Department Fund Balance	General Fund Contribution
General	$ 258,693,372	$ 79,931,220	$ -	$ 178,762,152
Special Revenue	574,171,841	542,931,658	16,197,866	15,042,317
Capital Projects	792,010	1,532,000	(739,990)	-
Enterprise	63,624,357	54,653,519	5,257,441	3,713,397
Internal Service	86,880,094	85,783,931	1,096,163	-
Total	**$ 984,161,674**	**$ 764,832,328**	**$ 21,811,480**	**$ 197,517,866**

The net county cost for General Fund budgets consists of $147.1 million in discretionary revenue, $8.5 million in unassigned fund balance, $13.9 million of assigned fund balance, and the use of $9.2 million from the Teeter Plan assigned fund balance.

General Fund departments were allocated nearly $13.9 million in net county cost savings from Fiscal Year 2011-2012. General Fund departments that achieved savings in appropriations carried forward 100% of unused net county cost savings from Fiscal Years 2009-2010 and 2010-2011 and 75% of unused net county cost savings from Fiscal Year 2011-2012. Many departments are using savings to address the increase in retirement charges and setting aside funds for further potential increases in retirement charges in Budget Year 2013-2014 and beyond, due to an anticipated change in the retirement plan’s earnings assumption rate.

2012–2013 FIRST QUARTER OVERVIEW

Overall Summary of Requested First Quarter Adjustments

The Chief Executive Office’s first quarter recommendations include a total increase in appropriations of $2,082,007 and a decrease in estimated revenue of $28,294. If approved, the recommendations contained in this report will result in an increase in the use of fund balance of $2,110,301.

The recommended increases in appropriations are primarily within Behavioral Health and Recovery Services ($1,568,125), the Sheriff's Department ($394,930), Library ($71,158), and Strategic Business Technology ($52,631). Technical adjustments are also recommended for the District Attorney (decrease of $4,837), Health Services Agency and Chief Executive Office – Risk Management. Behavioral Health and Recovery Services will be able to address increased psychiatric inpatient hospitalization costs for beds at the Doctors Behavioral Health Center and for vehicle leases associated with the Community Emergency Response Team (CERT) and Mental Health Services Act (MHSA) programs. The Sheriff's Department will replace vehicles, as part of a vehicle replacement plan within Divisions, for the statewide transportation of inmates. The Library will provide additional literacy services in the community through the ReadingWorks program administered by the Stanislaus Literacy Center. Strategic Business Technology will fund an Application Specialist position critical to provide adequate technical support for the Oracle Financial Management System (FMS) funded by a special services agreement through the Health Services Agency.

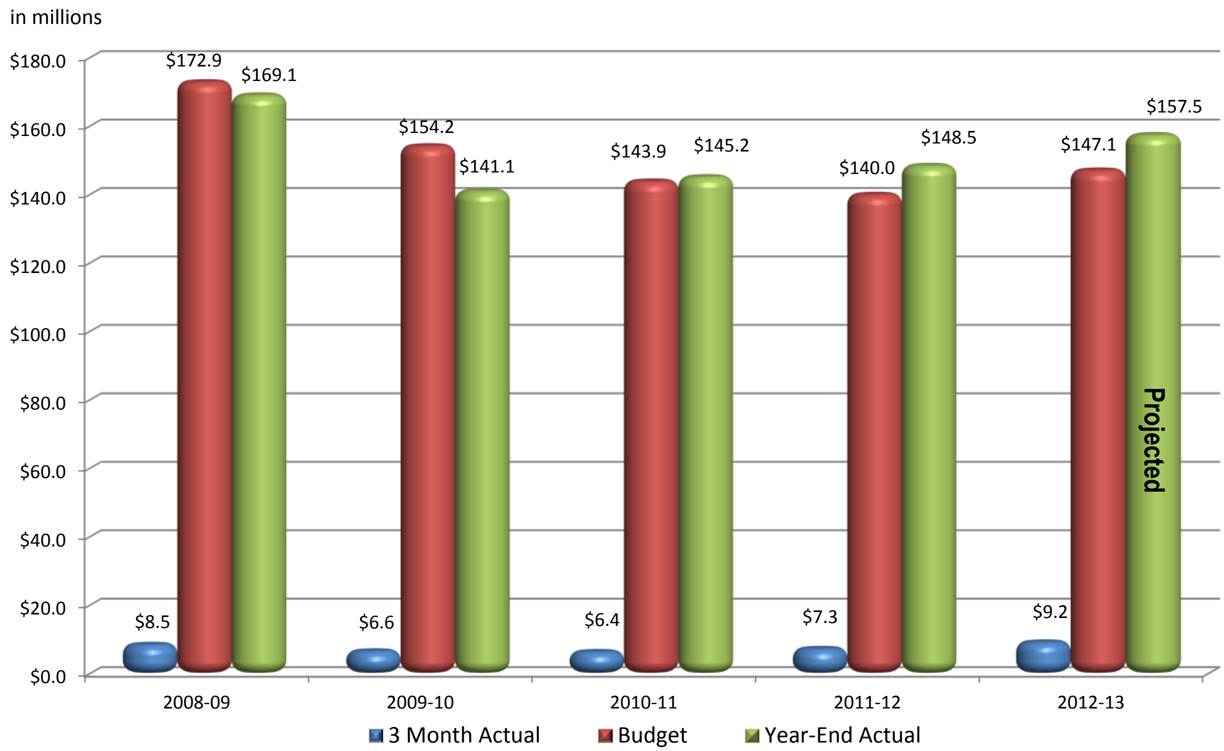
The following chart illustrates the beginning fund balances on July 1, 2012 for the various fund types, as well as the projected fiscal year end balances adjusted for the recommendations contained in this report.

Summary of Fund Balance by Fund					
Fund Type	**Beginning Fund Balance on 7/1/2012**	**Legal Budget Revenue**	**Legal Budget Appropriations**	**First Quarter Recommendation Impact to Fund Balance**	**Projected Fund Balance on 6/30/2013**
General Fund	$ 115,518,780	$ 227,672,940	$ 262,127,132	$ -	$ 81,064,588
Special Revenue Fund	$ 211,774,786	$ 558,639,833	$ 585,612,237	$ 1,758,666	$ 183,043,716
Capital Projects Fund	$ 22,959,137	$ 1,532,000	$ 792,010	$ -	$ 23,699,127
Enterprise Fund	$ 13,023,101	$ 58,366,916	$ 65,870,901	$ -	$ 5,519,116
Internal Service Fund	$ 25,007,665	$ 85,484,927	$ 88,539,861	$ 351,635	$ 21,601,096
Total	**$ 388,283,469**	**$ 931,696,616**	**$ 1,002,942,141**	**$ 2,110,301**	**$ 314,927,643**

DISCRETIONARY REVENUE

As of first quarter, actual discretionary revenue was $9.2 million compared to $7.3 million for the same period one year ago. This amount represents 6.3% of the 2012-2013 Final Budget and 5.8% of the projected year-end actual collections which is above the range used for comparative purposes. For the previous four years, first quarter discretionary revenue has ranged from 4.3% to 5.2% of the total amount budgeted and from 4.4% to 5.0% of the total year actual collections. The following chart shows a five-year history of first quarter activity:

General Fund—Discretionary Revenue Five Year Comparison



The Chief Executive Office closely watches this revenue source and will recommend changes as necessary with the Mid-Year Financial Report in February 2013. Both the 1% sales tax and the Proposition 172 Public Safety sales tax are showing an early trend to be stronger than budgeted. Sales Tax received in lieu of property tax is also up from the Final Budget amounts. In addition, the repayment of the $7.9 million in property tax revenue borrowed by the State in Fiscal Year 2009-2010 (Proposition 1A suspension) is due in June 2013. In the discretionary revenue discussion for the Final Budget Addendum, we stated that the State has the opportunity to borrow these funds again, and did not include the repayment as revenue in our 2012-2013 budget. Proposition 22, passed in 2010, revised the provisions of the 2009-2010 State Budget and allowed the borrowing only once with the amount to be paid with interest by the end of Fiscal Year 2012-2013.

Partially offsetting the increases is the decrease in property tax revenue and revenue received from property taxes in lieu of vehicle license fees. This is due to the 1.45% decrease in the value of the Assessed Roll as announced by the Assessor. Each year only a small portion of the discretionary revenue posts before the end of the first quarter and adjustments to this budget are normally postponed until six months of actuals are posted. We will continue to monitor discretionary revenue sources and will request adjustments as necessary at the time of the Mid-Year Financial Report and will include the adjustment for Proposition 1A at that time.

CURRENT ISSUES AND CHALLENGES

As discussed in the 2012-2013 Final Budget, the County faces a number of challenges in the coming fiscal years. The following is an update on those that have had significant change or progress through the first quarter of the fiscal year.

Health and Human Services

The rate of psychiatric inpatient admissions has continued to increase dramatically as the community faces a growing population of people with serious mental health problems. The strategic planning effort to develop a broader community based strategy to meet these needs and look for lower cost and more effective options for 24/7 secure care, as well as crisis intervention, is nearing completion. A recommendation will be brought to the Board of Supervisors in November 2012 for consideration.

Foster Care - Public Economic Assistance has an appropriation shortfall of approximately $6.4 million requiring additional County share match of $3.3 million. This need is unchanged from Final Budget and funding was established in Match Contingency. Extended Foster Care, implemented with AB 12, extended benefits with new eligibility and program activities, in a phased in approach for Foster Care and Adoptions Assistance (AAP) youth over the age of 18. Impacts from the first and second phase, effective January 1, 2012 and January 1, 2013, which extends the eligibility to the age of 19 and 20 respectively, were factored into the Proposed Budget, adding a combined total of 52 youth to the average monthly caseload. Stanislaus has many dependent youth in foster and group care settings from other counties residing in the County. This has the potential to add as many as 96 youth to our County caseload in the next two years.

In-Home Supportive Services (IHSS) Wages & Benefits has an appropriation shortfall of between $8.1 to $8.7 million. The additional County share match required was reported at Final Budget at approximately $1.5 million. This County share need is going to change with the implementation of the new IHSS Maintenance of Effort (MOE) approved in the final State Budget. The Community Services Agency (CSA) anticipates Community First Choice Option Federal funds reimbursement for Fiscal Year 2011-2012 of approximately $656,000 in a current year payment adjustment. The Department will continue to monitor actual monthly caseloads, costs and State instructions on the new IHSS financing model to provide an update to the Board at mid-year.

The CalFresh Match Waiver, which provides State General Fund augmentation to assist local outreach efforts, expires in June of 2013, and is not likely to be supported for extension beyond this fiscal year. The MOE Waiver represents an additional $10.8 million available to CSA for 2012-2013, representing approximately 48% of the entire CSA Cal-Fresh program. While current year funding is assured, there is a risk going into next fiscal year. CSA will have a full report and recommendations related to Match Waiver close-out at mid-year as several mitigating funding scenarios exist linked to Health Care Reform and Medi-Cal.

State Budget Update

The State legislature has recessed and their energy has been fully devoted to the elections on November 6, 2013. All eyes continue to be on the Governor's Proposition 30, which would bring a constitutional guarantee of funding to counties for the public safety 2011 Realignment. Prop 30 would increase sales tax by one-quarter cent for every dollar for four years. It would also increase personal income taxes on upper-income taxpayers for seven years. The initiative is projected to raise about $6 billion in additional revenue annually through 2016-2017 with smaller amounts in 2017-2018 and 2018-2019. Governor Brown has made the repeated commitment to counties that public safety realignment would be fully funded as long as he is governor. Counties have wanted a constitutional guarantee that would prevent the legislature from cutting the funds for these services that have been transferred to local government. The Governor has stated there would be a need for $6 billion in budget "trigger" cuts in 2012-2013 if the initiative were rejected by voters. $5.4 billion of these cuts are targeted to K-12 education with another $500 million in cuts between State colleges and the University of California system. If enacted, the triggers would cause K-12 schools to slash their school year by three weeks per year. It is unknown if additional cuts might take place impacting local government or if the Governor will not implement some of the trigger cuts and make additional cuts to local government.

State Controller John Chiang released his monthly report covering California's cash balance, receipts and disbursements in September 2012. Total revenues were $162.5 million below (2.2 percent) projections and expenditures are over estimates to date by $1.2 billion (mostly due to a timing issue where the State made early payment to schools). Personal income taxes in the month of September rose $112.3 million above (2.6 percent) projections, while sales taxes were $87.5 million below (5.6 percent) projections. Corporate taxes were also down for the month, coming in $74.8 million below (8.8 percent) projections.

Pension Reform

In September of 2012, the Governor signed into law (AB 340 and AB 197), what many consider to be the most far-reaching pension reform in the history of the State of California. This law mandates pension reform statewide, including local government as of January 1, 2013. Based on the analysis completed to date, it appears that the most significant impact will be to new employees hired after January 1, 2013 who do not have reciprocity with another public retirement system. The County is currently in the process of completing an evaluation of the impacts and is working closely with the Stanislaus County Employees' Retirement Association (StanCERA) to assure the County takes all the necessary steps to properly implement the changes required by this new State legislation. A countywide update on reform and its impacts will be distributed to all employees in mid-November.

Jail Construction and Expansion

On September 11, 2012, the State Public Works Board approved the County's Project Scope, Schedule and Costs for the Public Safety Center Expansion project, a significant milestone that allows Stanislaus County to initiate the project and begin the design phase of construction. Stanislaus County was the first County awarded AB 900 Phase II Jail Construction funding. On October 2, 2012, the Board of Supervisors approved awarding the contract for professional architectural design services for Project 1 – construction of 456 new maximum security beds to HOK of San Francisco, California; Project 2 – the new Programs/Day Reporting Facility to WLC Architects, Inc. of Folsom, California; and Project 3 – the Support Facilities, Intake, Release and Transportation to HOK. On an aggressive design build schedule, the facilities could be complete by the Fall of 2016. The long-range model will be adjusted to forecast the cost of opening these expanded jail facilities later in Budget Year 2016-2017. Upon construction completion, the staffing and transition to the new jail facilities will be phased based on the County's economic recovery. Full occupancy of all available jail beds at the Public Safety Center site following AB 900 construction completion may result in an additional 72 positions needed with an increased General Fund obligation of approximately $7.7 million annually. The Companion Facility and corresponding functions constructed by Public Facilities Fees, if fully staffed, may result in an additional 22 positions needed with an increased General Fund obligation of approximately $2.3 million.

The Honor Farm Replacement project is underway and it is anticipated that existing staff from the Honor Farm (and staff funded from the Community Corrections Partnership Plan Phase 1 and 2) will operate the new modern 192-unit facility scheduled to be complete in the Fall of 2013. The Honor Farm should then be closed and an estimate of close out costs will be prepared in the coming months.

Health Insurance

The Medical Self-Insurance Program has completed its first nine months and is on track to end the calendar year within estimates. A rating and reserve projection was performed on Stanislaus County's health benefit program by Ascendant Healthcare in August 2012, which recommended the amount of reserve the County should record for its incurred but not reported (IBNR) and paid liability as of June 30, 2012, and the required funding rate change for the entire medical program in calendar year 2013. The recommendation included in the report was to increase rates by 3.75%, effective January 1, 2013. A recommendation to adjust the Medical Self-Insurance Budget to include the rate increase and employee selections will be included in the 2012-2013 Mid-Year Financial Report once open enrollment results are known, which will include individual employee selections. In addition, a thorough review of the medical self-insurance program will be performed early in 2013, and the overall performance of the program will be reported at that time.

A Safe Community

COUNTY DEPARTMENTS

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

A Safe Community

OVERVIEW

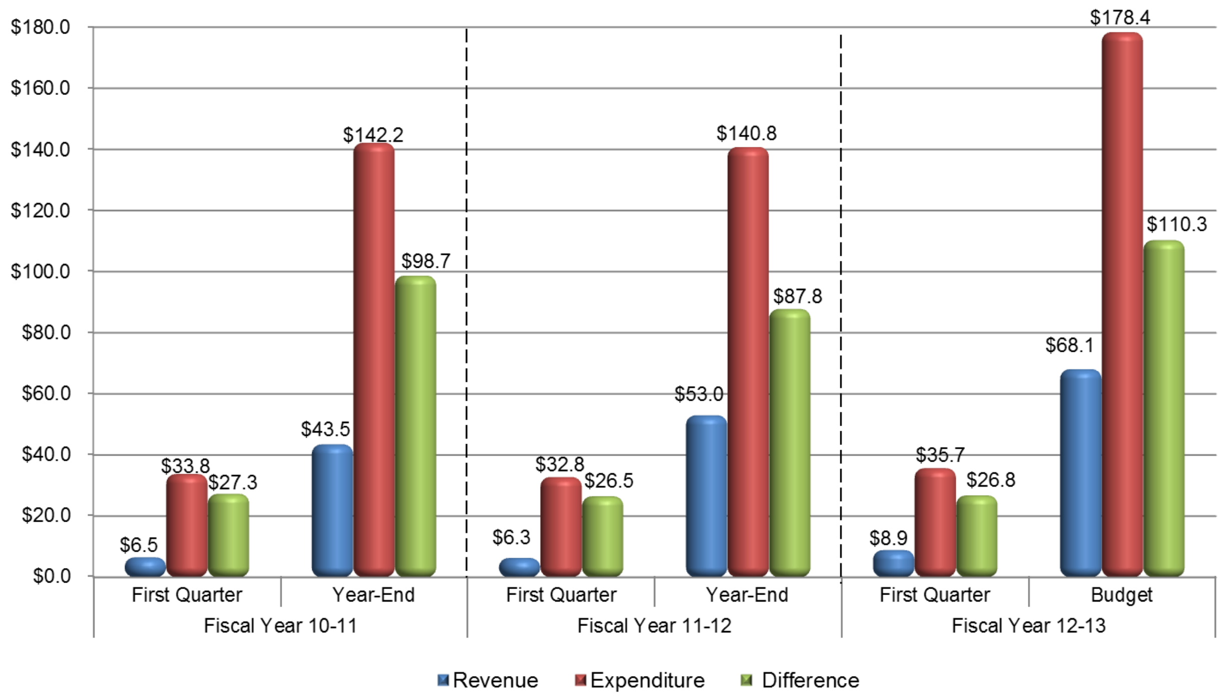
Ensuring a safe community and protecting the safety of the residents of Stanislaus County continues to be a top priority of the Board of Supervisors. Departments assigned to the Board of Supervisors priority area of A Safe Community include: Chief Executive Office - Office of Emergency Services/Fire 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 September 30, 2012, actual revenue collected is $8.9 million, which represents 13.1% of the estimated annual revenue. This is within the range when compared to the first quarter point of the prior two years when collections were at 14.9% and 11.9% of the final actual revenue. As of September 30, 2012, expenditures are $35.7 million, representing 20.0% of the budgeted appropriations. Expenditures at the first quarter point of the prior two years were 23.8% and 23.3% 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 the use of fund balance/retained earnings. This comparison shows first quarter and year-end for a three-year period, including the current year, for the departments assigned to the Board of Supervisors priority area of A Safe Community.

A Safe Community
Three Year Comparison



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

- CEO - County Operations Jail Medical Program – A decrease in expenditures of approximately $600,200 due to the timing of monthly payments towards the Jail Medical Contract;

- Probation – Community Corrections Partnership Plan - An increase in revenue of approximately $512,100 mostly as a result of increased AB 109 Criminal Justice Realignment program funding. Consequently, this same budget has an increase in expenditures of $1,493,300 mostly due to the AB 109 Criminal Justice Realignment program;

- Sheriff – Court Security - An increase in revenue of $440,900, mostly due to deferred 2011 Public Safety Realignment revenue from Fiscal Year 2011-2012 that can only be used for Court Security services and an increase in expenditures of approximately $139,600 due to higher employee Salary and Benefits costs; and

- Sheriff – Detention - An increase in revenue by approximately $1,362,500 and expenditures by approximately $769,500. Both of these increases derive from the AB 109 Criminal Justice Realignment program with the additional expenses related to increased staffing.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

DISTRICT ATTORNEY

Unserved/Underserved Victim Advocacy & Outreach Program: This grant program provides advocacy and outreach for the unserved and underserved victims of crime in the community and is fully dependent on federal "pass-through" Victim of Crimes Act monies received from the California Emergency Management Agency (CalEMA). The Fiscal Year 2012-2013 budget of $106,821 was established based on a projected award amount. CalEMA has since awarded $116,420 to the District Attorney's Office and the Department requests to increase both appropriations and estimated revenue by the amount of $9,599.

Victim Services Program: This grant program is funded through State penalty assessment funds levied on convicted criminals and from the Federal Victims of Crime Act (VOCA) funds as administered through the California Emergency Management Agency (CalEMA). Funding of $339,850 is reflected in the 2012-2013 Final Budget and was based on an estimated award amount. CalEMA has now finalized awards and has granted $320,678 to the District Attorney's Office. As a result of this reduced award, the Department requests a $19,172 decrease in estimated revenue and a $14,436 decrease in appropriations in the current fiscal year. Available fund balance of $4,736 will fund the difference.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
District Attorney-Unserved/Underserved Victim Advocacy & Outreach Program	$9,599	$9,599	$0	$0	Additional grant funding received from the California Emergency Management Agency.
District Attorney-Victim Services Program	($19,172)	($14,436)	$4,736	$0	Decrease in grant funding received from the California Emergency Management Agency.
Total	**($9,573)**	**($4,837)**	**$4,736**	**$0**	

Staffing Requests: The Department is requesting to restore one unfunded Attorney V position and restore one unfunded Criminal Investigator II position. Due to upcoming retirements and the long training period, the department is requesting to restore these positions at this time to maintain the continuity of services. The funding for these positions come from a combination of salary savings from the upcoming retirements and the departmental net county cost savings from previous budget years.

DISTRICT ATTORNEY STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Criminal Division	1	1867	Attorney V	Restore unfunded position	Restore vacant position
	1	9721	Criminal Investigator II	Restore unfunded position	Restore vacant position
DISTRICT ATTORNEY CHANGES	2				
Beginning Allocation	121				
Changes in Allocation	2				
Ending Allocation	123				

Summary of Recommendations: It is recommended to decrease appropriations by $4,837 and estimated revenue by $9,573, using $4,736 of fund balance to fund the difference. This will account for the adjustments to the two grant awards as detailed. As of July 1, 2012, the Victim Services fund has a fund balance of $4,736. It is also recommended the staffing changes described and outlined in the table above be adopted.

SHERIFF

Cal ID: The Sheriff's California Identification Program is fully funded by a dedicated revenue source resulting from a State-collected $1 vehicle license fee assessment. The budget is established each year based on estimated revenue plus the use of any fund balance accumulated. The fund balance after fiscal 2011-2012 year-end close was stronger than anticipated due to cost savings in maintenance agreements. The Department is requesting that the $25,235 in additional fund balance be added to the 2012-2013 appropriations for operating supplies.

Vehicle Theft: The Stanislaus County Auto Theft Task Force (StanCATT) program is also fully funded by a dedicated revenue source resulting from a State-collected $1 vehicle license fee assessment. Similar to the Cal ID budget, the Vehicle Theft budget uses available fund balance as well as fee revenue when the budget is established each year. The fund balance at the end of fiscal year 2011-2012 was less than expected due to the purchase of additional equipment for the StanCATT unit. The Department is requesting that $30,305 be reduced from the 2012-2013 appropriations for operating supplies to reflect the decreased fund balance.

Detention: The Civil Division within the Sheriff's Detention budget provides timely and accurate civil process service to the citizens of the County and provides statewide transportation of inmates. Vehicles for this transport are purchased and specifically equipped for law enforcement needs on an ongoing basis using revenue generated in the Civil Process Fee special revenue fund. The special revenue fund is mandated by Government Code Section 26720-26751 and is to be used solely for technical equipment and vehicles for the Civil Division. The vehicles are considered fixed assets of the Detention budget so funds are transferred into this budget from the Civil Process Fee fund in order to make the proper accounting entries. The Sheriff is requesting an increase of $200,000 in appropriations in the Detention budget for the purchase and equipping of three transport vehicles. These vehicles will be used to replace three existing vehicles in the Civil Division that have over 50,000 miles of use. The three displaced vehicles will then be transferred to the Operations budget or to other divisions within the Detention budget to replace vehicles that Fleet Services has identified as reaching 100,000 miles or have become too expensive to maintain. An increase of $200,000 in estimated revenue is also requested for the transfer in from the Civil Process Fee budget.

Civil Process Fee: The Sheriff is requesting to increase appropriations by $200,000 in intrafund transfers in order to properly account for the purchase and equipping of three vehicles for the Detention Civil Division. The vehicles are considered fixed assets of the Detention budget, but funds for purchase are from the Civil Process Fee special revenue fund. The fund balance as of June 30, 2012, is greater than $1.2 million.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Cal-ID	$0	$25,235	$25,235	$0	Increase Operating Supplies to properly reflect available fund balance for FY2012-2013 budget.
Vehicle Theft	$0	($30,305)	($30,305)	$0	Decrease Operating Supplies to properly reflect fund balance available for FY2012-2013 budget.
Detention	$200,000	$200,000	$0	$0	Increase estimated revenue and appropriations for purchase of three vehicles for use in Civil Division.
Civil Process Fees		$200,000	$200,000	$0	Increase appropriations to transfer funds to Detention for Civil Division vehicle purchase
Total	**$200,000**	**$394,930**	**$194,930**	**$0**	

Staffing Requests: The Department is requesting to add one block-budgeted Manager III position to the Administration unit. This position will be responsible for the overall Human Resources management functions, including payroll, recruitments, disability management, disciplinary matters, and act as the Department's Equal Employment Opportunity Officer. On March 6, 2007, the Board approved an agenda item 2007-163 for the 2006-2007 Mid-Year Budget to add a Manager III position for Human Resources, and on August 4, 2009, the Board approved an agenda item 2009-519 for a Reduction-in-Force for the same position effective September 5, 2009. The Department has identified a need to bring the Human Resources Manager position back to the Sheriff's Department to effectively oversee the Human Resource function.

In addition, the Chief Executive Office previously received a request to complete a classification study for one Legal Clerk IV position in the Patterson contract city. A study has been completed and based on the job duties and responsibilities of this position, a recommendation to reclassify and upgrade the position to a block-budgeted Supervising Legal Clerk II is being made.

The Chief Executive Office also previously received a request to add a new position and classification to provide autopsy support services at the Coroner Facility. The new position and classification will be titled Forensic Autopsy Technician. In general, the Forensic Autopsy Technician will coordinate the removal and care of the deceased, perform post mortem examinations, and assist the Forensic Pathologist during an autopsy. Currently the Stanislaus County's Sheriff's Department performs an estimated 600 autopsies annually and provides additional autopsy services to Mariposa and Tuolumne Counties. Presently the Deputy Sheriff-Coroners and the Forensic Pathologist are performing the technician-level duties. This new position will allow the Deputy Sheriff-Coroners and Forensic Pathologist to perform work more appropriate to their classification with the Forensic Autopsy Technician performing the technical and support level work. This new classification will be represented by AFSCME Local 10 in the Technical Services Bargaining unit (B) in order to mirror other similar classifications countywide. The salary range will be established at $16.79 - $20.77 hourly. The addition of this new classification is essential for the department to provide efficient services and further supports the Board Priority of providing a safe community.

SHERIFF'S DEPARTMENT STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Administration	1	NEW	Manager III	Add new position	Manager III-block-budgeted
Operations	1	NEW	Forensic Autopsy Technician	Add new classification/ Add new position	New classification of Forensic Autopsy Technician; AFSCME BU B; Salary range $16.79-$20.77
SHERIFF'S DEPARTMENT CHANGES	2				
Beginning Allocation	579				
Changes in Allocation	2				
Ending Allocation	581				

SHERIFF'S DEPARTMENT TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Contract Cities	1	8539	Legal Clerk IV	Reclassify upward	Supervising Legal Clerk II-block-budgeted

Summary of Recommendations: It is recommended to increase estimated revenue by $200,000 and increase appropriations by $394,930 resulting in an increased use of fund balance of $194,930. The Cal ID spendable fund balance as of July 1, 2012 is $126,428 with an approved use of $101,193 included in the Final Budget, leaving an available balance of $25,235 which will fund the requested appropriations increase. The Vehicle Theft spendable fund balance as of July 1, 2012, is $60,103 with an approved use of $90,408 included in the Final Budget, leaving a projected deficit of $30,305. The requested decrease in appropriations will remedy the deficit situation. The Civil Process Fee spendable fund balance as of July 1, 2012, is $1,203,939 which is more than adequate to fund the $200,000 appropriations request. It is also recommended that 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 $390,093 and $190,427 respectively. This will result in an additional use of $199,666 in special revenue fund balance.

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

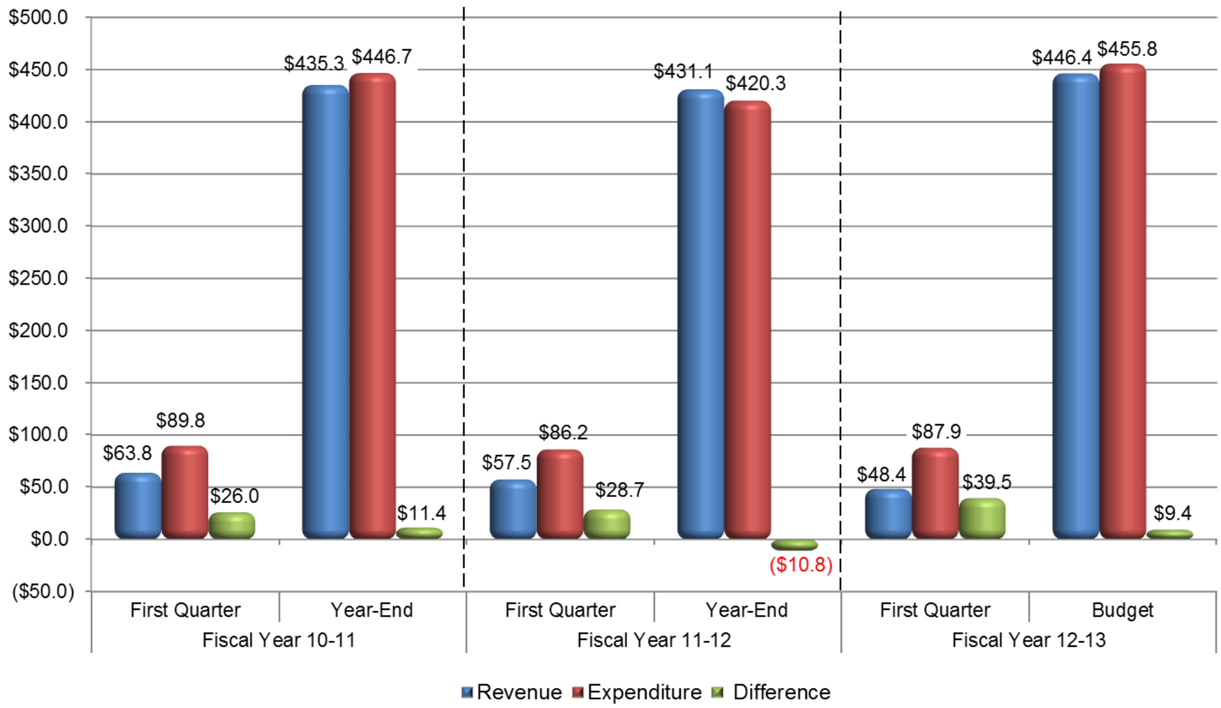
The Board of Supervisors priority area of A Healthy Community is vital to the quality of life for County residents. The departments assigned to this priority area are focused on protecting and promoting the health and well-being of County residents including preventing disease, disability and death. 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 September 30, 2012, actual revenue is $48.4 million, which represents 10.8% of the estimated annual revenue. This is below the range when compared to the first quarter point of the prior two years when collections were 14.7% and 13.3% of the final actual revenue. As of September 30, 2012, expenditures are $87.9 million, representing 19.3% of the budgeted appropriations. Expenditures at the first quarter point of the two prior years were 20.1% and 20.5% of the final annual 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 first quarter and year-end for a three-year period, including the current year, for the departments assigned to the Board of Supervisors priority area of A 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 – Mental Health – A $1.5 million decrease in revenue is primarily the result of 2011 Realignment and how the Department is receiving funding in Fiscal Year 2012-2013. Last year, as part of AB100, the Department received allocations in the first quarter for Early and Periodic Screening, Diagnosis and Treatment (EPSDT), Special Education Pupils (SEP) and Managed Care. This year, EPSDT and Managed Care are being funded through 2011 Realignment based on actual sales tax collections. The SEP allocation was one-time funding in Fiscal Year 2011-2012. In Fiscal Year 2012-2013, the Department will be invoicing the schools directly for services provided to this population;

- Behavioral Health and Recovery Services – Alcohol and Drug – A $611,621 increase in estimated revenue is primarily the result of a change in accounting practice. Effective this fiscal year, Drug Medi-Cal revenue is accrued each month, which results in an increase in reported revenue from last fiscal year. There is also an increase in estimated revenue due to the Child Welfare Services (CWS) augmentation that began in November 2011. The increase of $760,653 in expenditures is primarily due to the Department's contract with Aegis Medical Systems, Inc. for Narcotic Replacement Therapy services. BHRS did not incur this contract expense until October 2011, compared to the first quarter of Fiscal Year 2012-2013 in which there has been three full months of expense. The CWS augmentation has also increased expenditures;

- Behavioral Health and Recovery Services – Managed Care – A $744,035 increase in expenditures due to the continued increase in psychiatric inpatient hospitalization;

- Behavioral Health and Recovery Services – Mental Health Services Act (MHSA) – An increase of $567,350 in estimated revenue as a result of MHSA Innovation Projects and their corresponding revenue. In Fiscal Year 2011-2012, due to delays in the Request for Proposals (RFP) review and contract awards, only approximately six months of costs were funded by MHSA Innovation revenues, whereas this fiscal year, these projects are funded for the entire year by MHSA Innovation funding;

- Child Support Services – Overall, a decrease in revenue of approximately $3.7 million is due to the timing of the transfers of revenue during the first quarter of 2011/2012. One of those transfers was for the prior fiscal year, but wasn't booked until after the fourth quarter was closed. This timing had an impact of making revenue for 2011/2012 appear inflated by the amount of the one claim;

- Community Services Agency - Services and Support - An increase in revenue of approximately $1.5 million is due to a delay in the receipt of C-IV Projects costs last Fiscal Year. The increase in expenditures of $3.4 million is also related to the delay in receipt of C-IV Project costs, in addition to more timely vendor/invoice payments in Welfare to Work contracted services and salary costs in line with projected appropriations;

- Community Services Agency - Public Economic Assistance - A decrease in revenue of $5.8 million is due to a one-month delay in receipt of Federal and State funding;

- Community Services Agency - In-Home Supportive Services (IHSS) Provider Wages - A decrease in revenue of $500,000 is due to one-time 1990/1991 Realignment growth money that was received last year. Expenditures are down $1.1 million as the result of a one-month delay in the county share invoice/payment that will be right-sized in October;

- Health Services Agency - Clinics and Ancillary Services - A decrease in estimated revenue of approximately $660,000 and expenditures of approximately $711,000 is a direct result of a change in physicians providing specialty care in the Clinics;

- Health Services Agency - Indigent Health Care Program - A decrease in expenditures of approximately $410,000 is a direct result of the use of cash basis accounting as of the First Quarter in Fiscal Year 2012-2013, versus accrual basis accounting that was used in Fiscal Year 2011-2012; and

- Health Services Agency - Public Health - A decrease of approximately $450,000 in expenditures is a result of a decrease in salaries and benefits due to vacancies resulting from retirements and resignations, a decrease in grant funded purchases that were made in Fiscal Year 2011-2012 related to the Emergency Preparedness Program as well as from other Financing Uses related to the Hospital Preparedness Program.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

BEHAVIORAL HEALTH AND RECOVERY SERVICES

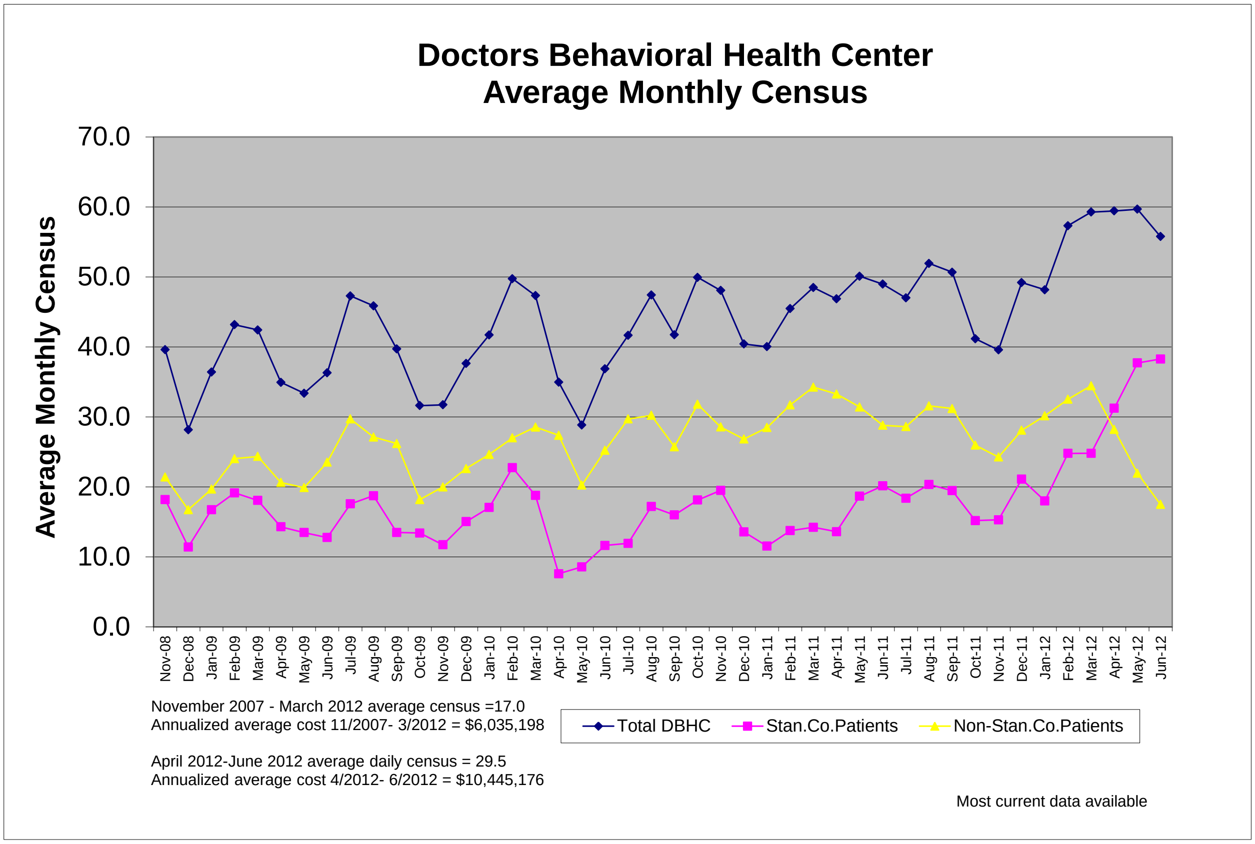
Behavioral Health and Recovery Services: The Department is requesting an increase in appropriations and estimated revenue in the amount of $11,250 for two new vehicle leases for the Community Emergency Response Team (CERT) program funded by Mental Health Services Act (MHSA) one-time discretionary funds. CERT staff provides crisis intervention and assessment services at area hospital emergency departments for Medi-Cal beneficiaries and uninsured County residents. Additionally, the vehicles may be used to transport clients to out of area hospitals. As such, the vehicles are used extensively and have high wear and tear. The two leased vehicles will replace two existing heavily used vehicles and will provide staff with more reliable vehicles to better serve County residents and staff transportation needs. After a thorough analysis by the Department, it was determined that leasing is a better option. By leasing vehicles, the department has a continually budgeted monthly outlay for lease costs instead of one major capital outlay at the point of purchase. At the end of the lease, the Department is able to purchase the vehicle for a nominal fee. The amount for Fiscal Year 2012-2013 is estimated to be $11,250 ($18,000 per car/24 month lease) x7.5 months x 2 cars). Funding for the remainder of the lease period will be included in future budgets. All Behavioral Health and Recovery Services vehicle requests have been discussed with the County's Fleet Service Manager, who is in support of the requests.

Alcohol and Drug: The department is requesting an increase in appropriations in the Alcohol and Drug Program budget for costs related to the Mental Health Services Act (MHSA) Technological Needs Electronic Health Record (EHR) share of non-mental health program costs. MHSA funds can only be used to pay for the portion of the MHSA Technological Needs Electronic Health Record Project (EHR) benefitting mental health programs and consumers. The estimated cost for the non-mental health portion of the EHR for the remainder of Fiscal Year 2012-2013 is $59,000 of which $26,550 will be funded by the Alcohol & Drug budget unit and $32,450 which will be funded by the Stanislaus Recovery Center (SRC) budget unit. The funding source will be fund balance. The department has set aside dollars within the fund balance in anticipation of these appropriations.

Managed Care: The Department is requesting an increase in appropriations of $1.5 million in the Managed Care budget for psychiatric inpatient hospitalization costs related to the utilization of beds at Doctors Behavioral Health Center. The budget for psychiatric inpatient hospitalization costs was based on an average daily census of 20 beds per day in County and 7 beds in out-of-county hospitals. The average daily census for in County beds in the first two months of the fiscal year has increased by 35% from the number originally included in the 2012-2013 Final Budget. Unfortunately, during recent months, the Department has seen the census continue to rise even higher. The analysis of this trend leads the Department to believe that if the average daily census continues to rise, appropriations for psychiatric inpatient hospitalization can reach $8.7 million by March 2013. The increase of $1.5 million is approximately 85% of what the department anticipates needing for Fiscal Year 2012-2013. At this time, BHRS is opting to increase appropriations to the projected amount necessary to extend through the mid-year budget process.

Funding for this increase will come from Department fund balance. The Department is aware that this is not a sustainable funding source and with continued use, fund balance can be depleted early in Budget Year 2013-2014. In collaboration with the Chief Executive Office and area hospitals, the Department is in the process of developing a Strategic Plan for 24/7 Secure Mental Health Services that will go to the Board of Supervisors for approval in November 2012. The Strategic plan will include collaborative processes that specifically address the areas of lowering costs, secure mental health capacity, and creating a continuum of care in partnership with local hospitals.

In the interim, the Department will continue to monitor costs closely and return to the Board with any necessary adjustments.



Stanislaus Recovery Center: In conjunction with the request to the Alcohol and Drug Program budget, BHRS is requesting an increase in appropriations of $32,450 in the Stanislaus Recovery Center budget for costs related to the MHSA Technological Needs EHR share of non-mental health program costs. The funding source will be fund balance. The department has set aside dollars within the fund balance in anticipation of these appropriations.

Mental Health Services Program: The Department is requesting an overall net decrease in appropriations and estimated revenue of $2,125 for costs related to the Mental Health Services Act (MHSA) Technological Needs Electronic Health Record (EHR) share of non-mental health program costs and MHSA Community Services and Supports (CSS) program vehicle leases.

The Department is requesting a decrease in appropriations and estimated revenue of $59,000 in the MHSA budget. MHSA funds can only be used to pay for the portion of the MHSA Technological Needs Electronic Health Record Project (EHR) benefitting mental health programs consumers. Public Facilities Fees in the amount of $253,478 were awarded on June 29, 2010 to fund the non-mental health/substance use programs portion of the EHR. As of October 2012 these Public Facilities Fees will be fully expended. The estimated cost for the non-mental health portion of the EHR for the remainder of Fiscal Year 2012-2013 is $59,000, of which $26,550 will be transferred to the Alcohol & Drug budget; and $32,450 to the Stanislaus Recovery Center budget. The Department anticipates that the on-going maintenance costs associated with the EHR system will be absorbed in future budgets as the substance use caseloads continue to decline.

The Department is requesting an increase in appropriations and estimated revenue of $56,875 for nine new vehicle leases in the MHSA budget. MHSA funding must be used within three years of its allocation. Funding not used reverts to the State for redistribution to other Counties. In September, BHRS received an estimated $2,253,305 in redistributed funds. This allocation is one-time discretionary funding that must also be used within the three-year timeframe. When MHSA was implemented in Fiscal Year 2006-2007, several vehicles were purchased for program use. A vast majority of BHRS services, especially MHSA services, are provided in the community. As a result, vehicles are heavily used to transport consumers, and visit consumers and families in areas that may not be safe for staff to use personal vehicles. Approximately $56,875 of the one-time funds will be used to lease nine new vehicles in the MHSA budget. Two additional vehicles will be leased for the CERT program in the Mental Health Services budget. The leased vehicles, consisting of four vans and five sedans, will replace existing heavily used vehicles that have exceeded their depreciable life and will provide staff with more reliable vehicles to better serve MHSA clients and staff transportation and safety needs. Seven of the older vehicles will be redistributed to non-MHSA programs that do not have funding to purchase new vehicles. In addition, working with Fleet Services, the Department has decommissioned five vehicles due to age, high mileage, and/or service history. These decommissioned vehicles have not been replaced.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Mental Health	$11,250	$11,250	$0	$0	Increase appropriations and estimated revenue using one-time MHSA reallocation funds for 2 new vehicle leases for Community Emergency Response Team (CERT) MHSA mobile reponse component
Alcohol & Drug	$0	$26,550	$26,550	$0	Increase appropriations, funded by departmental fund balance for non-mental health programs share of cost for EHR
Managed Care Fund		$1,500,000	$1,500,000		Increase appropriations for increased inpatient hospitalization utilization
Stanislaus Recovery Center	$0	$32,450	$32,450	$0	Increase appropriations, funded by departmental fund balance for non-mental health programs share of cost for EHR
Mental Health Services Act (MHSA)	($2,125)	($2,125)	$0	$0	Net decrease in appropriations and estimated revenue of $2,125 for costs related to MHSA Technological Needs EHR share of non-mental health programs costs and MHSA Community Services and Supports program vehicle leases.
Total	**$9,125**	**$1,568,125**	**$1,559,000**	**$0**	

Summary of Recommendations: It is recommended to increase revenue by $9,125 and increase appropriations by $1,568,125, resulting in an increased use of fund balance of $1,559,000. As of July 1, 2012, the combined fund balance total of all Behavioral Health and Recovery Services budgets is $22,020,893. An approved use of $4,392,669 included in the Final Budget left a balance of $17,768,224.

Some BHRS budgets have negative fund balances which are covered by the primary Mental Health budget, where the majority of the fund balance resides. A greater part of the fund balance is committed to previously approved projects and projected liabilities, leaving an unobligated fund balance of approximately $1.8 million. With the approval of the requested appropriations increase, the revised projected unobligated fund balance in the Mental Health budget will be approximately $200,000.

HEALTH SERVICES AGENCY

The Health Services Agency – Public Health is requesting to transfer $71,000 in appropriations from Salaries and Benefits into Fixed Assets to cover the anticipated cost of removal and replacement of existing floor coverings at 820 Scenic Road in Modesto. The current flooring is in poor repair and creates a safety hazard. The Department has identified salary savings in the current year that will fund all associated expenditures for this project.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Health Services Agency Public Health	$0	($71,000)	($71,000)	$0	Decrease Salaries & Benefits by $71,000.
Health Services Agency Public Health	$0	$71,000	$71,000	$0	Increase Fixed Assets by $71,000.
	$0	$0	$0	$0	
Total	**$0**	**$0**	**$0**	**$0**	

Summary of Recommendations: It is recommended to transfer $71,000 in appropriations from Salaries and Benefits into Fixed Assets to fund flooring removal and replacement costs.

SUMMARY

Overall, appropriations and estimated revenue for A Healthy Community are recommended to increase by $1,568,125, and $9,125 respectively. This is funded through the use of $1,559,000 of available departmental fund balance.

A Strong Local Economy

COUNTY DEPARTMENTS

Alliance Worknet
CEO-Economic Development Bank
Library

A Strong Local Economy

OVERVIEW

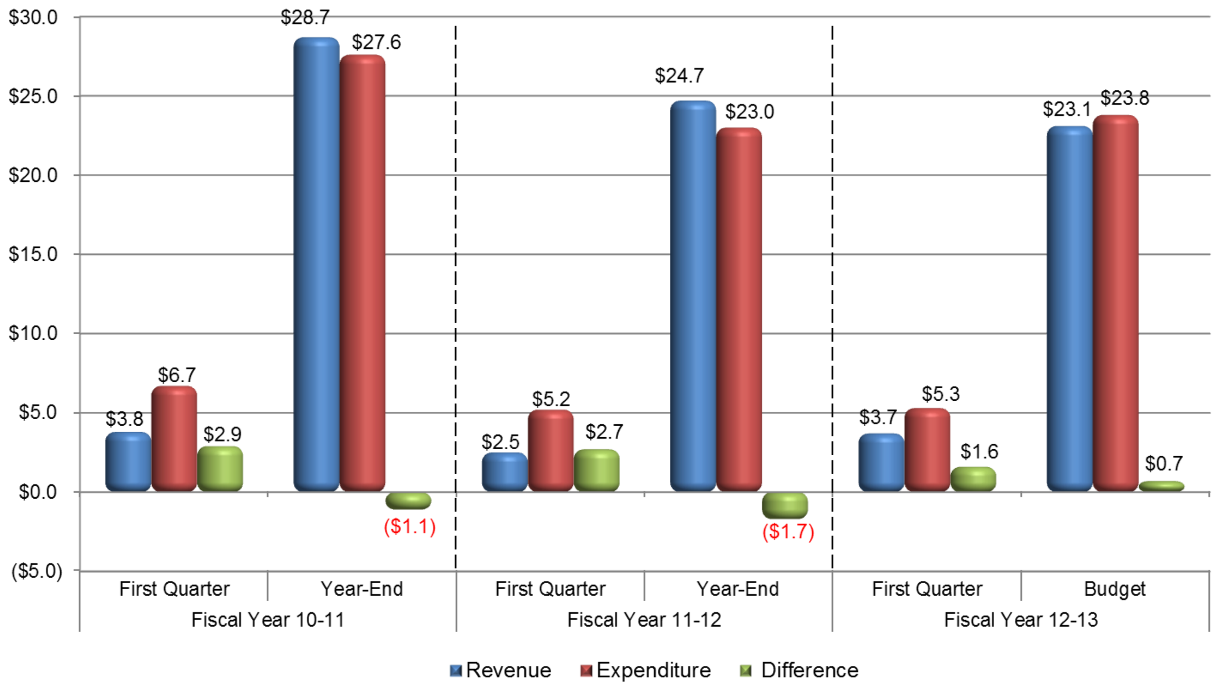
The Board of Supervisors priority area of A Strong Local Economy recognizes the critical role that County government can play in supporting a local economy that promotes, protects, and sustains our agricultural economies while providing for more diversified economic opportunities that will strengthen our local economy and provide for a better, more stable, quality of life for our residents. Supporting job creation, providing a wide range of employment and training services, and educational resources are key aspects of 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 (Workforce Investment Act), while the Library is supported by a special 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 September 30, 2012, actual revenue collected is $3.7 million, which represents 16% of the estimated annual revenue. Revenues at first quarter of the prior two years were 13.2% and 10.1% of actual revenues, placing this year's revenues above the range. As of September 30, 2012, expenditures are $5.3 million, representing 22.3% of the budgeted appropriations. This is below the range when compared to first quarter of the two prior years when collections were 24.3% and 22.6% of actual expenditures.

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 first quarter and year-end for a three-year period, including the current year, for the departments assigned to the Board of Supervisors priority area of A Strong 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 – an increase in revenue due to the timely cash draw down requests to the State for Workforce Investment Act (WIA) allocation and StanWORKs Welfare-to-Work contract. In the past, these funds had been received in the second quarter.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

ALLIANCE WORKNET

Staffing Requests: The Department is requesting to unfund one vacant Accountant III position. As mentioned in the 2011-2012 Third Quarter Budget, after a planned retirement, the position was to be unfunded in Fiscal Year 2012-2013 for salary savings.

The Department is further requesting to restore one unfunded Staff Services Analyst position due to increased workloads in the contracts monitoring unit. The addition of this position will assist the Department in effectively maintaining the integrity of its program contracts with internal and external customers and meet federally required performance goals. The cost of the position will be absorbed within the current budget.

ALLIANCE WORKNET STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	**POSITIONS**	**POSITION NUMBER**	**CLASSIFICATION**	**REQUEST**	**RECOMMENDATION**
Alliance Worknet	-1	2239	Accountant III	Unfund vacant position	Unfund vacancy
	1	2843	Staff Services Analyst	Restore unfunded position	Restore vacant position
ALLIANCE WORKNET CHANGES	**0**				
Beginning Allocation	**82**				
Changes in Allocation	**0**				
Ending Allocation	**82**				

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

LIBRARY

In August 2012, the Stanislaus Literacy Center was awarded $71,158 from the California Library Literacy Services (CLLS) to fund the ReadingWorks adult literacy program for Fiscal Year 2012-2013. The ReadingWorks program is a partnership between the Library and Stanislaus Literacy Center that provides individualized tutoring for adults, GED preparation classes, and family literacy programs. In January 2012, the State had indicated that funding may not be available to support the program. Without this funding, the program will have to be severely cut since more than 61% of the program funding is from the State. In order to preserve the program, a one-time federal emergency funding of $41,544 from the Library Services and Technology Act (LSTA) was awarded to Stanislaus Literacy Center, which was included in the Library's Final Budget. The State has now provided additional funding that will allow the literacy program to sustain its operations in Fiscal Year 2012-2013.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Library	$71,158	$71,158	$0	$0	Increase CLLS State funding for Stanislaus Literacy Center to fund ReadingWorks program.
Total	**$71,158**	**$71,158**	**$0**	**$0**	

Summary of Recommendations: It is recommended to increase revenue and appropriations by $71,158 to fund the ReadingWorks adult literacy program.

SUMMARY

Overall, appropriations and estimated revenue for A Strong Local Economy are recommended to increase by $71,158 for the Stanislaus Literacy Center.

A Strong Agricultural Economy/Heritage

COUNTY DEPARTMENTS

Agricultural Commissioner
Cooperative Extension

A Strong Agricultural Economy/Heritage

OVERVIEW

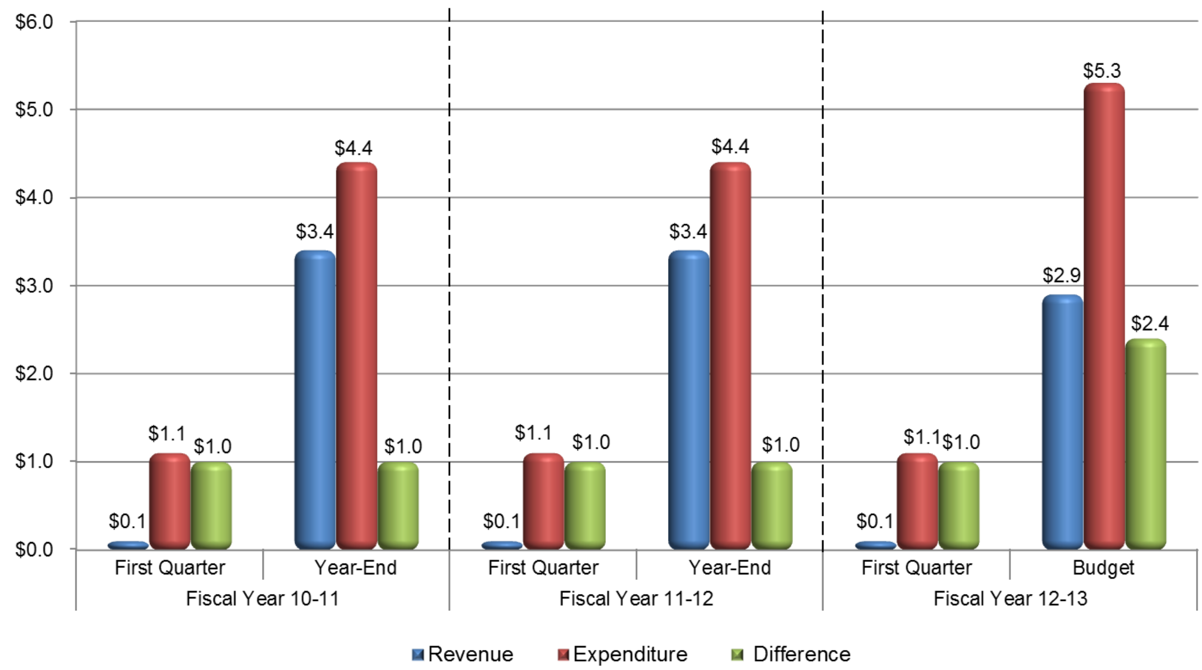
The Board of Supervisors priority area of A Strong Agricultural Economy/Heritage recognizes the vital role of the County's number one industry that generates over $3 billion per year for County residents. Farmland conversion, air pollution, soil salinity and drainage, agricultural water supply and water 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 September 30, 2012, actual revenue collected is $84,163, which represents 2.9% of the estimated annual revenue. This is within the range when compared to first quarter of the prior two years when collections were each at 2.9% of the actual revenue. As of September 30, 2012, expenditures are $1.1 million, representing 20.8% of the budgeted appropriations. Expenditures at the first quarter point of the prior two years were each 25% of the final actual expenditures, placing this year's expenditures just 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 first quarter and year-end for a three-year period, including the current year, for the departments assigned to the Board of Supervisors priority area of A Strong Agricultural Economy/Heritage.

A Strong Agricultural Economy/Heritage
Three Year Comparison



There were no significant variations this year, compared to the same time-period one year ago.

<u>FIRST QUARTER ISSUES AND RECOMMENDATIONS</u>

There are no recommended budget or staffing changes for this priority area.

<u>SUMMARY</u>

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. There are no recommended budget changes for this priority area.

A Well Planned Infrastructure System

COUNTY DEPARTMENTS

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

A Well Planned Infrastructure System

OVERVIEW

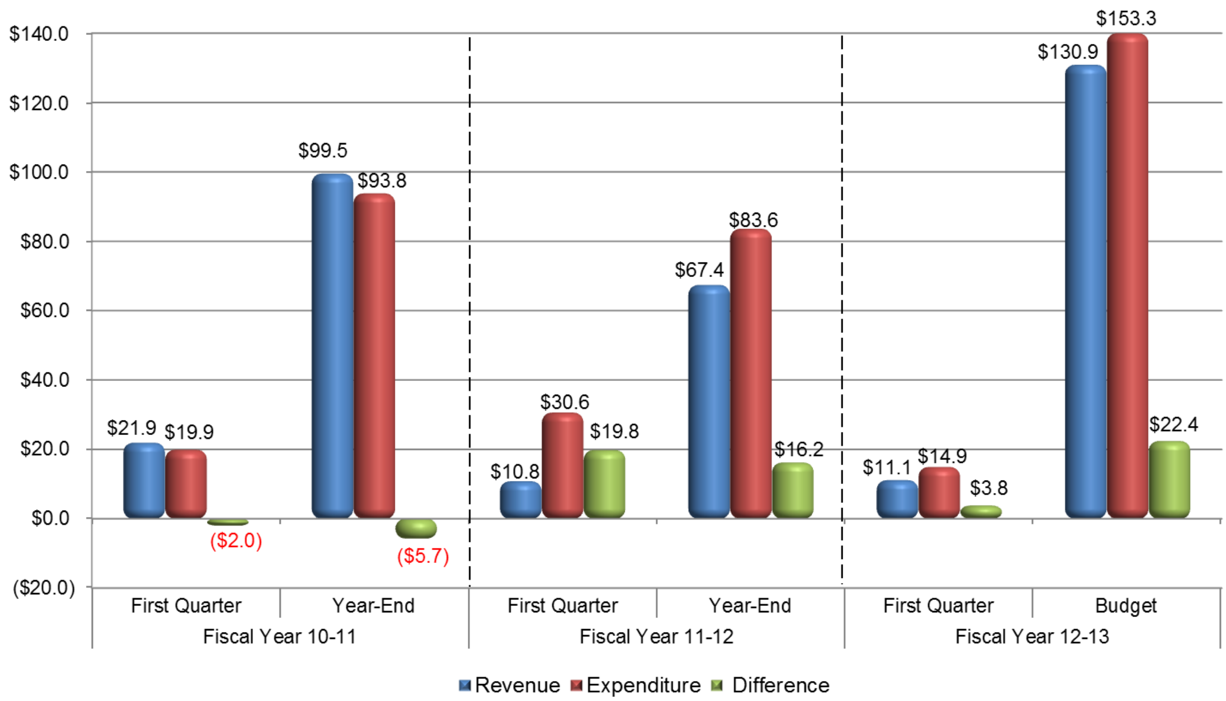
The Board of Supervisors priority area of A Well Planned Infrastructure System is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, recreational opportunities, and 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. On February 1, 2012, the Redevelopment Agency was dissolved and the Successor Agency was created. The Public Works Department primary sources of funding are derived from Charges for Services and State and Federal funding for transportation and roads.

DEPARTMENTAL REVENUE AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of A Well Planned Infrastructure System, as of September 30, 2012, actual revenue collected is $11.1 million, which represents 8.5% of the estimated annual revenue. This is below the range when compared to first quarter of the prior two years when collections were 22% and 16% of the actual revenue. As of September 30, 2012, expenditures are $14.9 million, representing 9.7% of the budgeted appropriations. Expenditures at the first quarter of the prior two years were 21.2% and 36.6% of the 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 first quarter and year-end for a three-year period, including the current year, for the departments assigned to the Board of Supervisors priority area of A 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 Planning and Community Development Special Revenue Grants – An increase in revenue and expenditures due to new funding allocated for the Community Development Block Grant (CDBG) and the Emergency Solutions Grant (ESG) in Fiscal Year 2012-2013; and
- Department of Public Works Road and Bridge – An increase of $49 million in budgeted revenue and expenditures as a result of two major projects scheduled to begin construction in Fiscal Year 2012-2013; SR99 Kiernan Interchange project and Claribel Road Widening.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

There are no recommended budget or staffing 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. There are no recommended budget changes for this priority area.

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

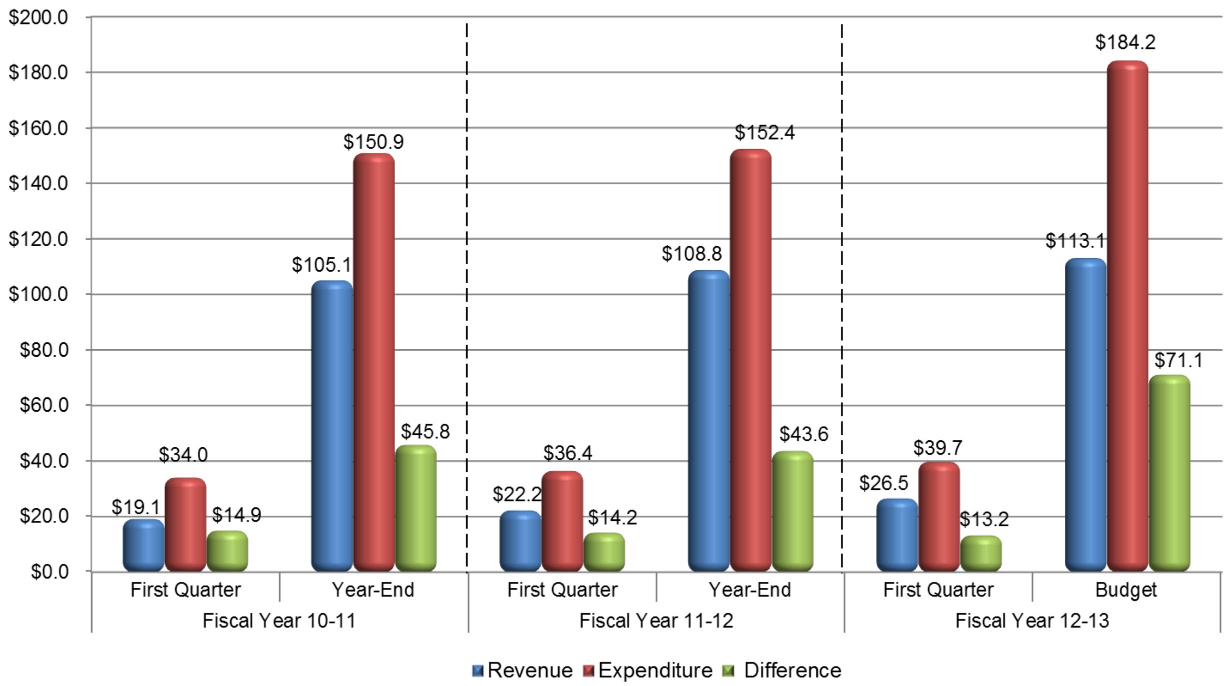
The public expects government to be responsive to their needs and to conduct business efficiently. County departments provide services to a diverse customer base. To serve these customers efficiently, it is important to consistently understand and review how to improve County services. Departments assigned to the Board of Supervisors priority area of Efficient Delivery of Public Services include: Assessor, Auditor - Controller, Chief Executive Office, Clerk-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.

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 September 30, 2012, actual revenue collected is $26.5 million, which represents 23.4% of the estimated annual revenue. This is above the range when compared to first quarter of the prior two years when collections were 18.1% and 20.4% of the final actual revenue. As of September 30, 2012, expenditures are $39.7 million, representing 21.5% of the budgeted appropriations. Expenditures at first quarter of the prior two years were 22.5% and 23.9% 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 first quarter and year-end for a three-year period, including the current year, for the departments assigned to the Board of Supervisors priority area of 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 – An increase in revenue of approximately $2.7 million and a decrease of approximately $985,000 in expenditures. The revenue increase is due in the timing of bringing in all of the approved Public Facility Fees and Criminal Justice Facility Funding and expenditures are lower due to the delay in the payments to the trustees;

- Chief Executive Office – Risk Management Medical Self Insurance – An increase in revenue of approximately $1.4 million due to the inclusion of COBRA participants, special district employees, early retirees, and employees' share of cost in the medical self-insurance fund effective January 1, 2012. The increase in expenditures of approximately $3.2 million reflects the self-insured plan design, in that claim costs were expected to be greater in the second half of the calendar year as participants begin to satisfy their plan deductibles. Another reason for the variance is that in the fully-insured model, insurance premiums were paid at a consistent rate each month, regardless of claim activity. This differs from the self-insured model, as claims are paid as they are incurred and as a result are less predictable. Also, as mentioned previously, the inclusion of an additional 450 participants in the plan increases expenditures and liability in the program; and

- Chief Executive Office – Risk Management – General Liability Self-Insurance – An increase of approximately $1.5 million in expenditures due to timing related to litigation defense and resolution of various claims against the County. The General Liability program operates with significant variances in expenditures and revenues on a quarterly basis due to the timing of trials and/or settlements of the various liability claims with the County. This fund is monitored closely throughout the year and is considered for adjustment if necessary during the Mid-Year and Third Quarter budget reviews.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

AUDITOR CONTROLLER

Staffing Requests: The Department is requesting to unfund one vacant Application Specialist II position and unfund one vacant Accounting Supervisor position as part of the department's on-going strategy of restructuring positions based on recent staffing changes and evaluating existing needs.

AUDITOR CONTROLLER STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Auditor Controller	-1	2057	Application Specialist II	Unfund vacant position	Unfund vacancy
	-1	2151	Accounting Supervisor	Unfund vacant position	Unfund vacancy
AUDITOR CONTROLLER CHANGES	-2				
Beginning Allocation	36				
Changes in Allocation	-2				
Ending Allocation	34				

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

CHIEF EXECUTIVE OFFICE

Staffing Requests: The Department is requesting to double-fill the Manager IV position in the Finance and Operations Division for a maximum of three months. The current Manager IV is retiring in March 2013. This crucial position is responsible for complicated areas of budgeting including discretionary revenue, salary projections, and fund balance tracking. The double-fill of this position will allow for on-the-job training between the incumbent and his replacement, so the replacement may learn the critical functions of the position. This action will allow for a smooth transition and provide continuity of services for this key position. The Department has sufficient existing appropriations to fund the double fill.

CHIEF EXECUTIVE OFFICE TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION					
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	RECOMMENDATION
Operations and Services	1	1632	Manager IV	Double fill position	Double fill up to 3 months

CHIEF EXECUTIVE OFFICE – RISK MANAGEMENT DENTAL SELF-INSURANCE

The Chief Executive Office – Risk Management Division requests to decrease its estimated revenue and increase the use of retained earnings by $188,031 to partially offset dental rates effective January 1, 2013. The Dental Self-Insurance Fund currently has a $988,578 retained earnings balance. As part of the determination of 2013 rates for medical, dental, and vision plans, retained earnings in both the dental and vision funds were reviewed for capacity to offset medical rates. This analysis concluded that dental rates could be reduced by 10% and vision rates reduced by 50% for calendar year 2013 to assist in keeping employees' and departments' total health increases to a minimum. This is a one-year rate decrease for both the dental and vision plans. With the recommended use of retained earnings, it is projected that this fund will end the fiscal year with a retained earnings balance of $640,732, including the planned use of retained earnings in the Recommended Final Budget and after accounting for all liabilities known to the program.

CHIEF EXECUTIVE OFFICE – RISK MANAGEMENT VISION CARE SELF-INSURANCE

The Chief Executive Office – Risk Management Division requests to decrease its estimated revenue and increase the use of retained earnings by $163,604 to partially offset vision rates effective January 1, 2013. The Vision Self-Insurance Fund currently has an $848,019 retained earnings balance. As part of the determination of 2013 rates for medical, dental, and vision plans, retained earnings in both the dental and vision funds were reviewed for capacity to offset medical rates. This analysis concluded that dental rates could be reduced by 10% and vision rates reduced by 50% for calendar year 2013 to assist in keeping employees' and departments' total health increases to a minimum. This is a one-year rate decrease for both the dental and vision plans. With the recommended use of retained earnings, it is projected that this fund will end the fiscal year with a retained earnings balance of $684,415 after accounting for all liabilities known to the program.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
CEO - Risk Management Division Dental Self-Insurance	($188,031)	$0	$188,031	$0	Decrease revenue and increase the use of retained earnings to partially offset dental rates effective January 1, 2013.
CEO - Risk Management Division Vision Care Self-Insurance	($163,604)	$0	$163,604	$0	Decrease revenue and increase the use of retained earnings to partially offset vision rates effective January 1, 2013.
Total	**($351,635)**	**$0**	**$351,635**	**$0**	

STRATEGIC BUSINESS TECHNOLOGY

The Strategic Business Technology Department is requesting to increase revenue and appropriations in the amount of $52,631 to restore an unfunded position to support the Oracle Financial Management System. County Departments have requested resources to provide additional reporting needs and support to the end users that use Oracle Financials. This position is funded by a special services agreement with the Health Services Agency through mid-Budget Year 2013-2014. The department is currently working on a second special services agreement to provide the remaining portion of funding needed in Budget Year 2013-2014. If an additional agreement is not secured for Budget Year 2013-2014, the remaining portion of funding will be included in the Cost Allocation Plan (CAP) charges to departments.

Budget Unit	Recommended				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost	
Strategic Business Technology	$52,631	$52,631	$0	$0	Increase appropriations to cover 6 months of cost for an Application Specialist III position. Funded by a special services agreement with the Health Services Agency.
Total	**$52,631**	**$52,631**	**$0**	**$0**	

Staffing Requests: The Department is requesting to restore one unfunded Systems Engineer II position from Telecommunications and transfer the position to the Strategic Business Technology budget. The Department is further requesting to reclassify this position downward to a block-budgeted Application Specialist III.

The Strategic Business Technology (SBT) Department currently has one Senior Software Developer providing the support and services for the Oracle Financial Management System. Customers have requested additional services from SBT in providing reports and end user support. In the past, these services have been provided by the Auditor Controller Office. Both departments agree by adding this resource to SBT it will allow the customers' needs to be met, leverage senior staff skills, and provide a backup resource for the Oracle Financial Management System. A block-budgeted Application Specialist III is the appropriate classification to provide this application and end-user support.

STRATEGIC BUSINESS TECHNOLOGY STAFFING RECOMMENDATIONS AFFECTING ALLOCATION COUNT					
BUDGET UNIT	**POSITIONS**	**POSITION NUMBER**	**CLASSIFICATION**	**REQUEST**	**RECOMMENDATION**
SBT-Telecommunications	0	1552	Systems Engineer II	Restore unfunded position/ Transfer out	Restore vacant position/Transfer to Strategic Business Technology
Strategic Business Technology	1	1552	Systems Engineer II	Transfer in/ Reclassify downward	Transfer from SBT-Telecommunications/Application Specialist III-block-budgeted
SBT CHANGES	**1**				
Beginning Allocation	**23**				
Changes in Allocation	**1**				
Ending Allocation	**24**				

Summary of Recommendations: It is recommended to increase revenue and appropriations by $52,631 to restore an unfunded position to support the Oracle Financial Management System. It is also recommended to adopt the staffing changes described and outlined in the table above.

SUMMARY

Overall, appropriations and estimated revenue for Efficient Delivery of Public Services are recommended to increase by $52,631 and decrease by $299,004 respectively. This is funded through the use of $351,635 of available departmental retained earnings.

CONCLUSION

The First Quarter Financial Report shows the County is well-positioned to move forward and there are minor budget adjustments that have been highlighted in this report. County staff will continue to monitor the 2012-2013 Fiscal Year Final Budget and be prepared to make appropriate recommendations and changes at the Mid-Year Budget Report. Staff will closely watch the November 6, 2012 election to respond to any potential local impacts of the statewide vote on Proposition 30. If more urgent budget adjustments need to be made before the Mid-Year Budget Report, staff will bring appropriate and timely recommendations to the Board of Supervisors for consideration.