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

DEPT: Chief Executive Office **BOARD AGENDA #** B-8

Urgent ☐ **Routine** ☒ **AGENDA DATE** November 7, 2006

CEO Concurs with Recommendation YES ☒ **NO** ☐ **4/5 Vote Required YES** ☒ **NO** ☐
(Information Attached)

SUBJECT:

Approval of the Chief Executive Officer's First Quarter Financial Report for Fiscal Year 2006-2007 Including Transfer from Appropriations for Contingencies and Staffing Adjustments

STAFF RECOMMENDATIONS:

1. Approve the Chief Executive Officer's First Quarter Financial Report for Fiscal Year 2006-2007.
2. Amend the Salary and Position Allocation Resolution as outlined in the Staffing Impacts section effective the start of the November 11, 2006 pay period.
3. Authorize the Auditor-Controller to make the necessary budget changes and technical adjustments as described in the report.
4. Authorize the use of $750,621 in Appropriations for Contingencies as recommended in the First Quarter Report.
5. Approve the summary of contracts and/or agreements in cumulative amounts of $100,000 or greater since July 1, 2003.

(Continued on Page 2)

FISCAL IMPACT:

The Fiscal Year 2006-2007 Final Budget totaled $899,890,972. This First Quarter Fiscal Report outlines budget adjustments that recommend increasing total appropriations by $2,221,505 and total revenue by $2,702,754. Recommended changes include the use of $750,621 from Appropriations for Contingencies for operational needs. Recommendations in this report also include a decrease of $183,216 in both appropriations and revenue related to the 12th Street Capital Project, an increase of $49,800 in appropriations for Community Services Areas #10 and #17 and a recommendation to increase revenue in these funds by $24,800.

BOARD ACTION AS FOLLOWS: **No.** 2006-881

On motion of Supervisor Grover, **Seconded by Supervisor** Mayfield
and approved by the following vote,
Ayes: Supervisors: O'Brien, Mayfield, Grover, DeMartini, and Chairman Simon
Noes: Supervisors: None
Excused or Absent: Supervisors: None
Abstaining: Supervisor: None

1) X **Approved as recommended**
2) ____ **Denied**
3) ____ **Approved as amended**
4) ____ **Other:**
MOTION:

Christine Ferraro

ATTEST: **CHRISTINE FERRARO TALLMAN, Clerk** **File No.**

STAFF RECOMMENDATION: (Continued)

6. Authorize the Purchasing Agent to declare the Sheriff's Department existing engine for the1977 Bell 206 L1 Long Ranger helicopter as surplus once a new engine is purchased and installed and authorize the sale of this engine, with the proceeds to be used to reimburse the General Fund.

DISCUSSION:

2006-2007 First Quarter Financial Report

The Chief Executive Office has prepared a First Quarter Financial Report for Fiscal Year 2006-2007. The attached report contains the following:

- Introduction
- Summary
- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Looking Ahead

As of the close of the first quarter, the Stanislaus County budget continues to remain in a solid fiscal position. Total revenue received as of September 30,2006 is on track with last year, while expenditures are within the adjusted budget projections.

Total cash for all funds remains strong at the end of the first quarter with an overall increase of 18% over last year. The General Fund's cash balance as of September 30, 2006, is approximately $33,000,000 a significant increase over the prior year's first quarter. This increase in the General Fund's cash balance is primarily due to strong year end fund balance and designations from the 2005-2006 fiscal year.

As noted in the Final Budget, property tax discretionary revenue growth is the single largest discretionary revenue source for Stanislaus County. It is important to note that, while the assessment role has increased significantly in the past few years, the housing market is slowing down and as this occurs the valuation of property will not grow at the current rate, impacting future property tax revenue.

Highlighted in this report is a continuing concern for the fiscal challenge presented by the expiration of several labor agreements this year. It is anticipated that negotiations will result in a need to increase funding to cover the labor cost obligations. Additionally, health insurance coverage continues to be a challenge as the increase for the lowest cost plan will be 17.8% in January 2007.

Also highlighted is the authorized use of $5,456,537 in designations to fund a portion of the $6.8 million payment to the Stanislaus County Employees Retirement Association (StanCERA) approved by the Board of Supervisors on September 19, 2006 and one recommended adjustment as

part of First Quarter. Not all of the department budgets were adjusted at that time for this cost. Due to the financial condition of the remaining departments the General Fund might need to cover their portion of this cost as well. Staff will continue to monitor the fiscal impact on departmental budgets during the fiscal year.

Department recommendations include funding for Workforce Investment Act (WIA) services, Hazardous Material Disclosure Program, negotiated increases, Ventura settlement costs, jail medical costs, equipment maintenance and purchases, various other transfers and adjustments, and the addition of six new positions. Included is a recommendation to replace the Sheriff's 1977 Bell 206 L1 Long Ranger helicopter engine to expand the aircraft's current capabilities and useful life. Existing appropriations in the Sheriff's budget and a $100,000 contribution will be made from Appropriations for Contingencies to fund the $343,000 cost . A recommendation to salvage the old engine is also included so that proceeds of the sale can be used to reimburse the General Fund contribution.

A portion of these costs are recommended to be funded from a transfer from Appropriations for Contingencies totaling $750,621, leaving a balance of $9,076,429 for other unanticipated exposures.

Contracts

Current County policy requires Board approval for any contract or agreement where the total cumulative compensation exceeds $100,000. Cumulative refers to all compensation paid by an individual department since July 1, 2003 where there has been no break in contractual services over six months. Contracts or agreements 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 has not been previously approved by the Board of Supervisors. Contracts the departments are requesting review of in the $50,000 range are listed in Attachment C.

POLICY ISSUES:

The Board of Supervisors should evaluate the County's first quarter financial condition to ensure fiscal accountability of County operations in an effort to provide exceptional County services. The recommendations presented in this report are consistent with the Board's priorities of ensuring a safe community, a healthy community, a strong local economy, effective partnerships, a strong agricultural economy/heritage, a well-planned infrastructure and the efficient delivery of public services.

STAFFING IMPACTS:

The First Quarter Report 2006-2007 includes the recommendation for six new positions, two in General Fund Departments, three in Special Revenue Departments and one in an Enterprise Fund Department. Six reclassifications, two upward, two downward and two lateral, are being recommended at this time with one position being recommended for study.

The attached document (Attachment A) reflects the changes to authorized positions recommended as part of the First Quarter Report. It is recommended that the Salary and Position Allocation Resolution be amended to reflect these changes. The recommendation includes the following position changes:

NEW POSITIONS TO BE ADDED FISCAL YEAR 2006-07	
General Fund	2
Special Revenue Fund	3
Capital Project Fund	0
Enterprise Fund	1
Internal Service Fund	0
Total Positions to be added	**6**
Reclassification Studies and Recommended	6
Position Transfers	2
Total Current Authorized Positions	4513
Total Recommended Authorized Positions	**4519**

Recommended Staffing Adjustments
First Quarter 2006-2007

Attachment A

Department	Legal Budget Unit	Fund	Position Number	#	Classification	Request	#	Recommendation
Animal Services	Animal Services	GF	New	1	Animal Services Operations Supervisor	Add position	1	Animal Services Operations Supv
		GF	New	1	Maintenance Engineer II	Add position		Not Recommended
Environmental Resources	DER	SR	New	1	Assistant Director	Add position	1	Assistant Director
Health Services Agency	Administration	SR	1490	1	Nurse Manager	Reclassify lateral	1	Assistant Director
		SR	1555	1	Assistant Director	Reclassify downward	1	Manager IV
		SR	New	1	Manager IV	Add position	1	Manager IV
	Clinics and Ancillary	EF	8745	1	Nurse Manager	Reclassify downward	1	Manager IV
		EF	New	1	Account Clerk III	Add position	1	Account Clerk III
Library	Library	SR	1673	1	Manager III	Reclassify	1	Manager IV
		SR	New	1	Systems Engineer II	Add position	1	Systems Engineer II
		SR	9239	1	Application Specialist III	Reclassify downward	1	Application Specialist II
		SR	10175	1	Manager IV	Reclassify		Study
Public Works	Roads	SR	7736	1	Administrative Clerk III	Reclassify upward	1	Account Clerk III
Sheriff	Administration	GF	8997	1	Account Clerk III	Transfer In	1	Transfer from Operations
		GF	2839	1	Administrative Clerk I	Transfer In	1	Transfer from Operations
	Operations	GF	8997	1	Account Clerk III	Transfer Out	1	Transfer to Administration
		GF	2839	1	Administrative Clerk I	Transfer Out	1	Transfer to Administration
	Contract Cities	GF	New	1	Deputy Sheriff	Add position	1	Deputy Sheriff

Attachment B

First Quarter Report 2006/2007
Contract Worksheet
All Funds
Contracts over $100,000

Department	Budget Unit	Contractor	Brief Description of service provided or Position held	Contract amount for previous contractual period (list amount and period)	Proposed Contract Amount and Period	Cumulative Contract Total
Behavioral Health and Recovery Services	Adult System of Care	Davis Guest Home, Inc	Transitional Residential Program	$1,475,336 7/1/03-6/30/07	$191,000* 11/1/06-6/30/07 (Proposed Increase)	$1,666,336
Behavioral Health and Recovery Services	Adult System of Care	Mar-Ric Jones Care Home	Transitional Residential Program	$1,613,610 7/1/03-6/30/07	$131,000* 11/1/06-6/30/07 (Proposed Increase)	$1,744,610
Behavioral Health and Recovery Services	Adult System of Care	Merced Manor, Inc.	Institution for Mental Disease	$598,888 7/1/03-6/30/07	$275,000* 11/1/06-6/30/07 (Proposed Increase)	$873,888
Behavioral Health and Recovery Services	Behavioral Health and Recovery Services	California Institute for Mental Health	Technical Assistance Training - funded through State Department of Mental Health	$415,458 7/1/03-6/30/06	$227,872* 7/1/06-6/30/07	$643,330
Behavioral Health and Recovery Services	Behavioral Health and Recovery Services	Community Activators	On-site training for Core Skill Assessment in service delivery to consumers funded through State Department of Mental Health	$335,000 7/1/03-6/30/06	$175,000* 9/1/06-6/30/07	$510,000
Behavioral Health and Recovery Services	Services and Support	Community Housing and shelter services	Clean and sober living environment	$1,236,663 7/1/03-6/30/07	$158,800* 11/1/06-6/30/07 (Proposed Increase)	$1,395,463
Behavioral Health and Recovery Services	Services and Support	Interfaith Ministries	Redwood Family Center - Clean and sober living environment	$940,441 7/1/03-6/30/07	$102,700* 11/1/06-6/30/07 (Proposed Increase)	$1,043,141
Behavioral Health and Recovery Services	Services and Support	Life Choices and Recovery Solutions	Clean and sober living environment	$70,376 7/1/03-6/30/07	$150,000* 11/1/06-6/30/07 (Proposed Increase)	$220,376
Chief Executive Office	Operations and Services	United Way	Volunteer Center	$74,721 7/1/05-6/30/07	$74,721 7/1/06-6/30/07	$149,442

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All Funds
Contracts over $100,000

Department	Budget Unit	Contractor	Brief Description of service provided or Position held	Contract amount for previous contractual period (list amount and period)	Proposed Contract Amount and Period	Cumulative Contract Total
Community Services Agency	County Children's Fund	Center for Human Services	Differential Response & Hutton House Services	$302,877 7/1/04-6/30/07	N/A	$302,877
Community Services Agency (CSA) & Children & Families Commission (CFC)	CSA -Services & Supplies CFC – CFFC Children & Families Commission	Center for Human Services	Family Resource Center	$722,198 7/1/05-6/30/07	N/A	$722,198
Community Services Agency	Services & Supplies	Center for Human Services	AmeriCorps Members	$6,236 1/1/05-6/30/06	$6,236 7/1/06-5/31/07	$12,472**
Community Services Agency	Services & Supplies	Community Housing & Shelter	Emergency Shelter	$124,603 7/1/03-6/30/06	$24,921 7/1/06-5/31/07	$149,524
Community Services Agency & Behavioral Health & Recovery Services (Fiscal Agent)	Services & Supplies	Community Housing & Shelter	Sober Living Environment	$1,589,250 7/1/03-6/30/07	$10,000 7/1/06-6/30/07 (Proposed Increase)	$1,599,250
Community Services Agency	Services & Supplies	Doctor's Medical Center	Foster Parent Cardio-Pulmonary Resuscitation Training	$20,972 7/1/03-6/30/06	$8,224 7/1/06-5/31/07	$29,196**
Community Services Agency	Services & Supplies	Doctor's Medical Center	Multi-Purpose Senior Services Program Respite Miller's Place	$8,500 7/1/03-6/30/06	$1,000 7/1/06-5/31/07	$9,500**
Community Services Agency	Services & Supplies	Doctor's Medical Center	Multi-Purpose Senior Services Program Client Communications	$66,000 7/1/03-6/30/06	$32,000 7/1/06-5/31/07	$98,000**
Community Services Agency	Services & Supplies	Doctor's Medical Center	Public Authority CPR Training	N/A	$13,500 7/1/06-5/31/07	$13,500**

Attachment B

First Quarter Report 2006/2007
Contract Worksheet
All Funds
Contracts over $100,000

Department	Budget Unit	Contractor	Brief Description of service provided or Position held	Contract amount for previous contractual period (list amount and period)	Proposed Contract Amount and Period	Cumulative Contract Total
Community Services Agency & Behavioral Health & Recover (Fiscal Agent)	Services & Supplies	Interfaith Ministries - Redwood	Sober Living Environment	$1,315,000 7/1/03-6/30/07	$13,700 7/1/06-6/30/07 (Proposed Increase)	$1,328,700
Community Services Agency	Services & Supplies	Life Choices	Sober Living Environment	$63,000 7/1/05-6/30/07	$97,000 7/1/06-6/30/07 (Proposed Increase)	$160,000
Community Services Agency	Services & Supplies	Sierra Vista Child & Family Services	Families & Schools Together	$123,462 7/1/03-6/30/05	N/A	$123,462
Community Services Agency	Services & Supplies	Sierra Vista Child & Family Services	Mentoring Moms	$120,513 7/1/03-6/30/05	N/A	$120,513
Community Services Agency	Services & Supplies	Sierra Vista Child & Family Services	Child Welfare Services Client Counseling	$844,703 7/1/03-6/30/06	$271,333 7/1/06-5/31/07	$1,116,036
Community Services Agency	Services & Supplies	Sierra Vista Child & Family Services	AmeriCorps Members Travel	$3,118 1/1/05-6/30/06	N/A	$3,118**
Community Services Agency	Services & Supplies	Sierra Vista Child & Family Services	3 Agency Collaborative Parent Education	$484,169 7/1/03-6/30/07	N/A	$484,619
Community Services Agency	Services & Supplies	Sierra Vista Child & Family Services	Parent Education	$217,045 7/1/03-6/30/07	N/A	$217,045
Community Services Agency	Services & Supplies	Sierra Vista Child & Family Services	Child Care Center Start-up	$100,000 4/1/06-6/30/06	N/A	$100,000
Community Services Agency	Services & Supplies	Sierra Vista Child & Family Services	Step Parent Adoptions	$40,000 4/1/06-6/30/06	N/A	$40,000**
Community Services Agency (CSA) & Children & Families Commission (CFC)	CSA -Services & Supplies CFC – CFFC Children & Families Commission	Sierra Vista Child & Family Services	Family Resource Center	$456,568 6/1/05-6/30/07	N/A	$456,568

Attachment B

First Quarter Report 2006/2007
Contract Worksheet
All Funds
Contracts over $100,000

Department	Budget Unit	Contractor	Brief Description of service provided or Position held	Contract amount for previous contractual period (list amount and period)	Proposed Contract Amount and Period	Cumulative Contract Total
Community Services Agency & Behavioral Health & Recovery (Fiscal Agent)	Services & Supplies	Sierra Vista Child & Family Services	First Step	$4,069,418 7/1/03-6/30/07	$500,500 7/1/06-6/30/07 (Proposed Increase)	$4,569,918
Parks and Recreation	Parks and Recreation	Grover	Landscaping	$236,752 11/1/03-10/31/06	$98,000 11/1/06-10/31/07	$344,752
Public Works	Development Services	Precision Inspections	Building Inspection/Plan Check Services	$138,262 7/1/03-6/30/06	$90,000 7/1/06-6/30/07	$228,262
Health Services Agency	Clinics and Ancillary Services	Scenic Faculty Medical Group, Inc. (SFMG)	Administrative and Teaching related services to the Family Medicine Residency Program at HSA	7/1/03-6/30/06 $7,219,667	7/1/06-6/30/07 $1,409,065*	$8,628,732

*Proposed contract amount includes $75,000 for amendments in 2006-2007
**These are separate contracts but total contracted services exceed $100,000

Attachment C

First Quarter 2006/2007
Contract Worksheet
All Funds
Contracts over $50,000 under $100,000

Department	Budget Unit	Contractor	Brief Description of service provided or Position held	Contract amount for previous contractual period (list amount and period)	Proposed Contract Amount and Period	Cumulative Contract Total
Health Services Agency	Clinic and Ancillary	Bianca Ortiz	Registered Nurse	N/A	$60,000 7/1/06-6/30/07	$60,000
Health Services Agency	Clinic and Ancillary	Marta Flores	Registered Nurse	N/A	$60,000 7/1/06-6/30/07	$60,000
Health Services Agency	Clinic and Ancillary	Cynthia Rios	Registered Nurse	N/A	$60,000 7/1/06-6/30/07	$60,000
Community Services Agency	Services & Supplies	Computer Tutor	ILP Computer Training	$74,100 7/1/03-6/30/06	$18,500 7/1/06-5/31/07	$92,600
Community Services Agency	Services & Supplies	Council for the Spanish Speaking, Inc.	Transportation Services for WTW & BST Families	$25,350 7/1/05-6/30/06	$55,000 7/1/06-5/31/07	$80,350
Community Services Agency	Services & Supplies	National Council on Crime & Delinquency	CWS Reporting Services – Safe Measures	N/A	$57,375 7/1/06-5/31/07	$57,375

Stanislaus County
First Quarter Financial Report
July – September 2006

INTRODUCTION

This is the First Quarter Financial Report for Stanislaus County for the 2006-2007 Fiscal Year. It has been prepared to inform the Board of Supervisors, County management and the public of the County's fiscal status through the first quarter of the 2006-2007 Fiscal Year. The report contains fund revenue and expenditure summaries and recommends necessary adjustments to County budgets needed since the adoption of the Final Budget in September 2006.

SUMMARY

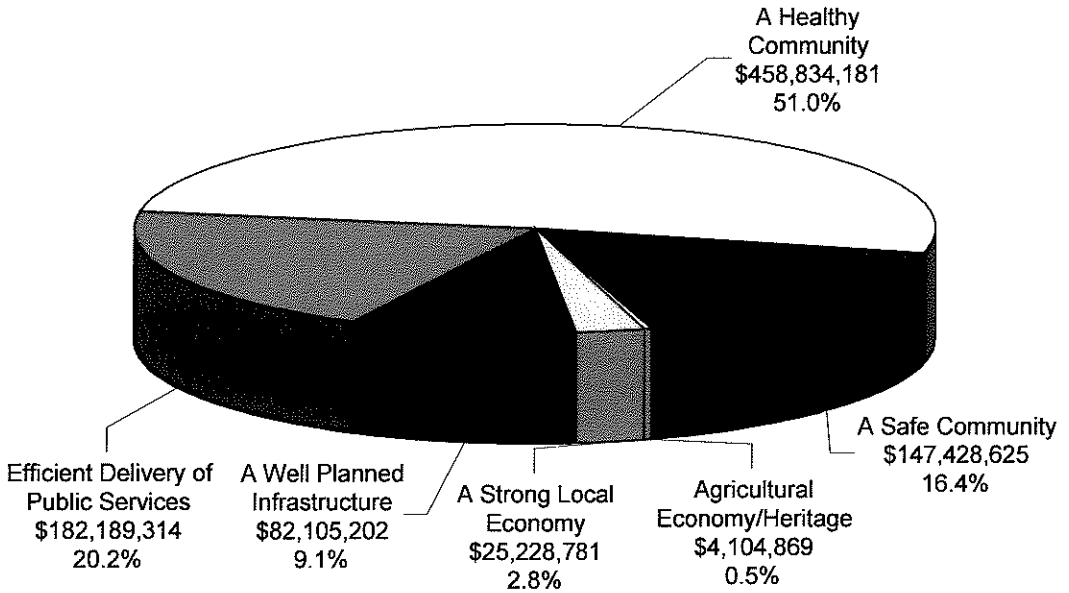
2006-2007 Final Budget

On September 12, 2006 the Board of Supervisors adopted the Fiscal Year 2006-2007 Final Budget for Stanislaus County. This spending plan of $899,890,972 for all funds reflects an increase of $18,268,584 or a 2.1% increase over the Proposed Budget and a 5.7% increase over the 2005-2006 Final Budget. The Final Budget was balanced and used a combination of $872,514,434 in revenue and $41,893,245 in fund balance and one-time funding sources. The Final Budget also established two designations, setting aside a total of $14,516,707 for the potential repayment of to the Landfill Enterprise fund for land near Fink Road Landfill and impacts associated with State Proposition 1A which allows the State to twice in a ten year period transfer County revenue to the State.

The County's 2006-2007 General Fund budget totaled $261,756,438 an increase of 4.3 percent or $10,851,070 over the Proposed Budget. The Final Budget for fiscal year 2006-2007 reflected an increase in contingency funds for future exposures, repayment of the courthouse construction fund, funding for various parks and capital projects, and increased dispatch costs.

The following chart reflects the total Final Budget by Board Priority:

Fiscal Year 2006-2007
Final Budget Expenditures
by Board Priority



As of the close of the first quarter, the Stanislaus County Budget continues to remain in a solid fiscal position. Total revenue receipts are on track with last year, while expenditures are within the adjusted budget projections.

Total cash for all funds remains strong at the end of the first quarter with an overall increase of 18% over last year. The General Fund's cash balance as of September 30, 2006, is approximately $33,000,000, an increase over the prior year's first quarter. This increase in the General Fund's cash balance is primarily due to strong fund balance and designations from the 2005-2006 fiscal year.

As noted in the Final Budget, property tax discretionary revenue growth is the single largest discretionary revenue source for Stanislaus County. It is important to note that, while the assessment role has increased significantly in the past few years, the housing market is slowing down and as this occurs the valuation of property tax is expected to decrease. The County is experiencing signs of this through reduced revenues in transfer tax.

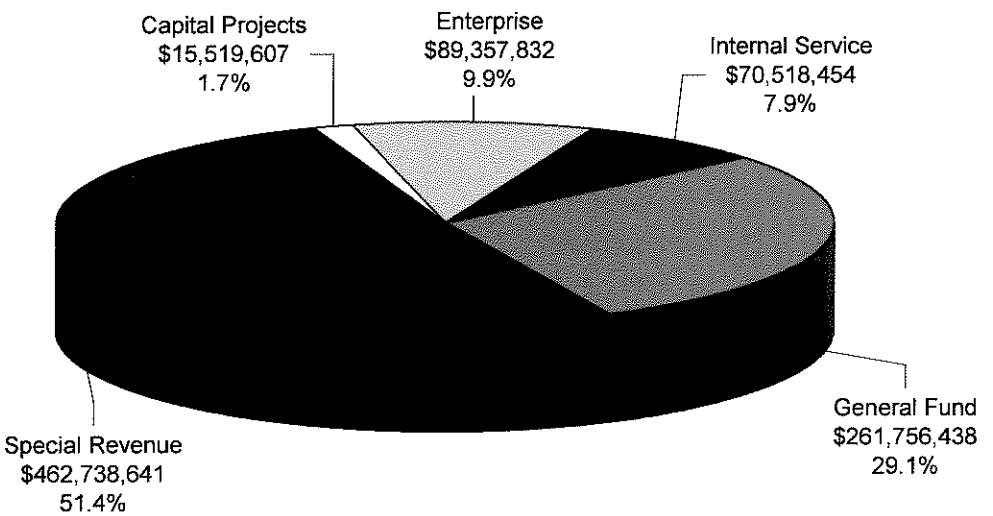
A continuing additional cost exposure for the current fiscal year is the pending expiration and negotiation of several employee labor agreements. Agreements affecting approximately 80% of the County's unionized workforce will expire during the remainder of the current fiscal year. In addition, the County is currently negotiating a new agreement for Home Health Care Workers covered under the In Home Supportive Services program. It is anticipated that the impact of the new labor agreements will result in a need to increase funding in some departments during the current fiscal year.
Health insurance coverage continues to be a challenge as the cost to both the County and employees is expected to rise again this fiscal year. At the Final Budget, the County anticipated an increase of approximately 20% for the renewals of coverage with two carriers contracted with the County. At this time,

the increase cost above last years rates, is estimated at 17.8%, beginning January 2007. This increasing cost concerns not only the General Fund departments, but is an issue for budget in other funds that are facing fiscal uncertainty and challenge. It is anticipated that both the Health Services Agency and the Behavioral Health and Recovery Services will require General Fund funding for the health insurance and labor-related increases.

Other accomplishments attained during the first quarter include: the Probation Juvenile component of the County's Integrated County Justice Information System (ICJIS) successfully went "live"; work began on the development of a new Business Technology Strategy for the County; and the County entered into a unique Memorandum of Understanding with the California Department of Transportation regarding State Route 219 (Kiernan Avenue), where Stanislaus County will conduct eminent domain hearings for the State to expedite this critical project.

The following chart reflects the total Final Budget by fund:

Fiscal Year 2006-2007
Final Budget Expenditures
by Fund



GENERAL FUND

OVERVIEW

The General Fund provides services such as public safety, parks and recreation, planning and community development, justice administration, tax assessment and collection, general government and fiscal, and a host of other vital services. The revenues used to pay for these services come primarily from local taxes such as property tax and sales tax, fees, franchises, charges for services, and a variety of other discretionary sources.

The General Fund accounts for over 29.1% of Stanislaus County's total budget. The 2006-2007 Final Budget for the General Fund included $261,756,438 in expenditures and two additional designations of $14,516,707 that were balanced by $14,589 of prior year fund balance, use of $6,378,000 in prior year designations, $176,791,672 in discretionary revenue and $78,514,336 in departmental revenue.

FUNDING SOURCES

Fund Balance

The 2005-2006 year-end fund balance, including the Auditor's post closing adjustments, (necessary accounting changes made by the Auditor-Controller after the year-end close of the financial records) totaled $23 million. The current budget used $6.1 million of this fund balance to fund operating costs for the 2006-2007 Budget. An additional $8.5 million was used to partially fund a new designation of $10 million for potential repayment to the Landfill Enterprise Fund for the purchase of land near the Fink Road Landfill. The remaining $8.5 million of unreserved/undesignated General Fund fund balance as of the adoption of the Final Budget is well below the County's stated financial policy goal of 15% at the high end but not less than 5% of the average final budgeted General Fund appropriations for the preceding three fiscal years. Recommendations in the First Quarter Report are not anticipated to modify projected fund balance usage at this time.

General Fund - Designations for Reserves and Contingencies

With the adoption of the Final Budget the Board of Supervisors approved $53,151,568 in total designations for the current Fiscal Year. A Designation for Litigation in the amount of $8,023,570 was established last fiscal year to set aside funding for a probable County exposure associated with the Ventura Decision concerning retirement benefits for retirees. A lawsuit filed against the Stanislaus County Employees Retirement Association (StanCERA) and the County by a County retiree in 1997 challenged the method in which the Retirement Association interpreted a number of unresolved issues associated with the California Supreme Court case of V*entura County Deputy Sheriff's Association v. Ventura County Employees' Retirement Board* ("Ventura Decision"). A settlement was reached resolving the lawsuit and in September of this year the Board of Supervisors authorized the use of $5,384,750 of this designation to fund a portion of the $6.8 million payment to the Stanislaus County Employees Retirement Association (StanCERA) including $160,087 in processing costs. Not all of the department budgets were adjusted at that time for this cost. The remaining department budgets will be reviewed during the fiscal year to determine whether this cost will require funding. As part of the first quarter review it is recommended that $71,787 in Ventura settlement costs be funded by the General Fund for the Department of Behavioral Health and Recovery Services for a total use of this designation of $5,456,537.

The use of this designation for Ventura settlement costs has now reduced the County's overall designations to $47,695,031 as reflected by the following chart:

Designation	2006-2007 Final Budget Designations	2006-2007 Fiscal Year Adjustments	2006-2007 Total Designations
Debt Service	$ 11,779,259		$ 11,779,259
Contingency	10,169,955		10,169,955
Tobacco Settlement	3,720,569		3,720,569
Tobacco Securitization	202,508		202,508
Restricted	1,300,000		1,300,000
Health Services Agency	1,439,000		1,439,000
Parks Projects (Other)	1,000,000		1,000,000
Litigation (Other)	8,023,570	($5,456,537)	2,567,033
Facility Mtce & Improve (Other)	1,000,000		1,000,000
State 1A Funding Exposure (Other)	4,516,707		4,516,707
Fink Road Land Purchase (Other)	$ 10,000,000		10,000,000
Total Designations	**$ 53,151,568**	**$ (5,456,537)**	**$ 47,695,031**

Discretionary Revenue

As of first quarter actual discretionary revenue was $7.8 million compared to $19.6 million for the same time period one year ago. This amount represents 4.4% of the 2006-2007 Final Budget. Typically, discretionary revenue at this point of the fiscal year ranges anywhere from 6% to 9.6% of the total year collections excluding last fiscal year. As of September 2005 discretionary revenue included the one-time $9.9 million payment from the State for the Vehicle License Fees Gap Loan. Based upon the final audit recommendations for last fiscal year the entire $9.9 million was reclassified as prior year (2004-2005) revenue and an adjustment to year-end fund balance was made. Even so, actual discretionary revenue received to date is tracking behind that typically received at first quarter and while there is no recommendation to modify discretionary revenue at this time there are primarily two factors contributing to the lower revenue actually received.

Transfer Tax: As of first quarter last year the County had received $1,255,110 in this tax while this year the total received as of September is $483,015, or 38% of the prior year revenue actually received. This tax is collected by the Clerk-Recorder at the time of recording when an interest in real property is conveyed. The slow down in home sales is directly impacting this revenue. The actual revenue received to date is closer to the 2003-2004 fiscal year where total revenue received at year-end was $2.9 million compared to the $3.2 million currently budgeted. Receipt of this revenue will be closely monitored to determine whether an adjustment to Transfer Tax revenue will be necessary this year as part of the mid-year review.

Sales and Use Tax: Actual receipt of sales tax revenue lags approximately three months behind and each year the Auditor-Controller and Chief Executive Office determine what the "best projection" for the year-end accrual of this revenue should be. Unfortunately the projection was overstated at year-end by $451,180 which is having a negative impact on the current fiscal year. Actual receipt of this revenue appears to be

on track this fiscal year although the over accrual may challenge whether or not the projected revenue in this account of $18.6 million will materialize at year-end. A recommendation to decrease this projected revenue may be necessary at mid-year.

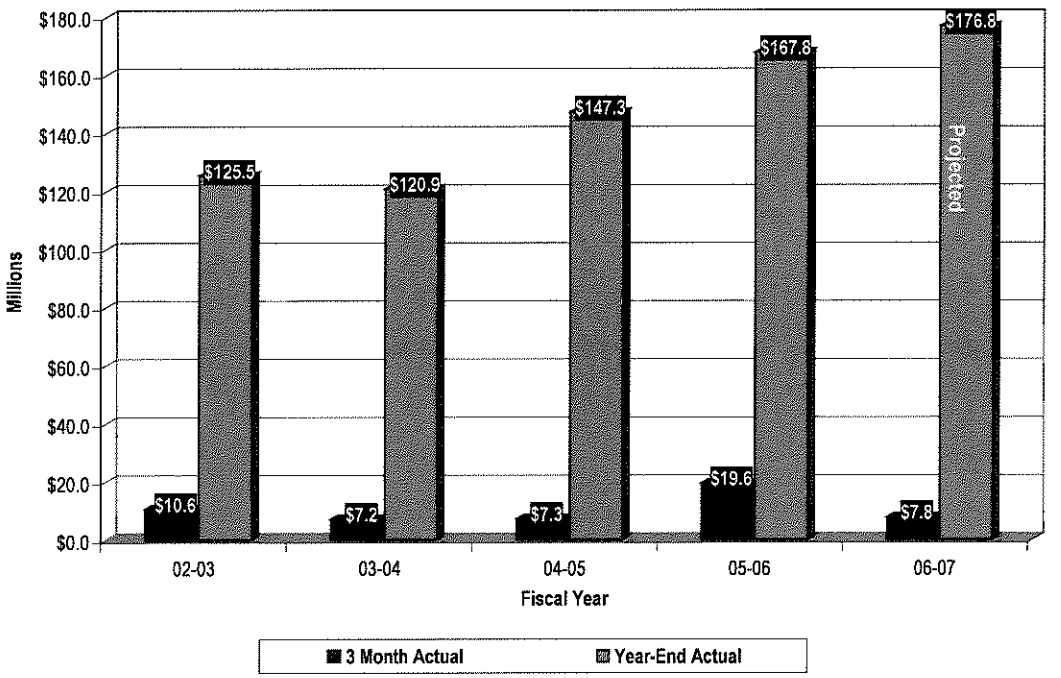
There are some favorable projections for the coming year.

Prop 172 Public Safety Sales Tax: Similar to Sales and Use Tax actual receipt of this revenue lags behind by approximately three months, making it necessary to accrue this revenue at year-end. The Auditor's Office and Chief Executive Office staff established the accrual at year-end. The accrual was under estimated by $135,198 and will be included in the current year actual revenue.

In Lieu of Sales and Use Taxes: In Fiscal Year 2004-2005 the State developed a financing structure for the State Economic Recovery Bonds. The State "flipped" ¼ of the Bradley-Burns sales and use tax from the counties and cities to the bond trustee for debt service payments. In order to compensate for the lost revenue to cities and counties, an equivalent amount of property taxes from the County Education Revenue Augmentation Fund (ERAF) are to be shifted to an "In-lieu of Sales and Use Tax" account. The third leg in this "Triple Flip" required the State make up lost ERAF revenue to education from the State of California's General Fund. Payments to the "In-lieu of Sales and Use Tax" account are made by the Auditor-Controller in January and May of each fiscal year with an annual "true-up" occurring in the following September of each fiscal year. Based upon the State Department of Finance's reconciliation of the prior year actuals it appears that the County's January true-up payment for last fiscal year will include an additional $339,012 greater than anticipated for this revenue.

The following chart shows the General Fund - Discretionary Revenue for a five year period including the current fiscal year:

General Fund--Discretionary Revenue Five Year Comparison



Departmental Revenue

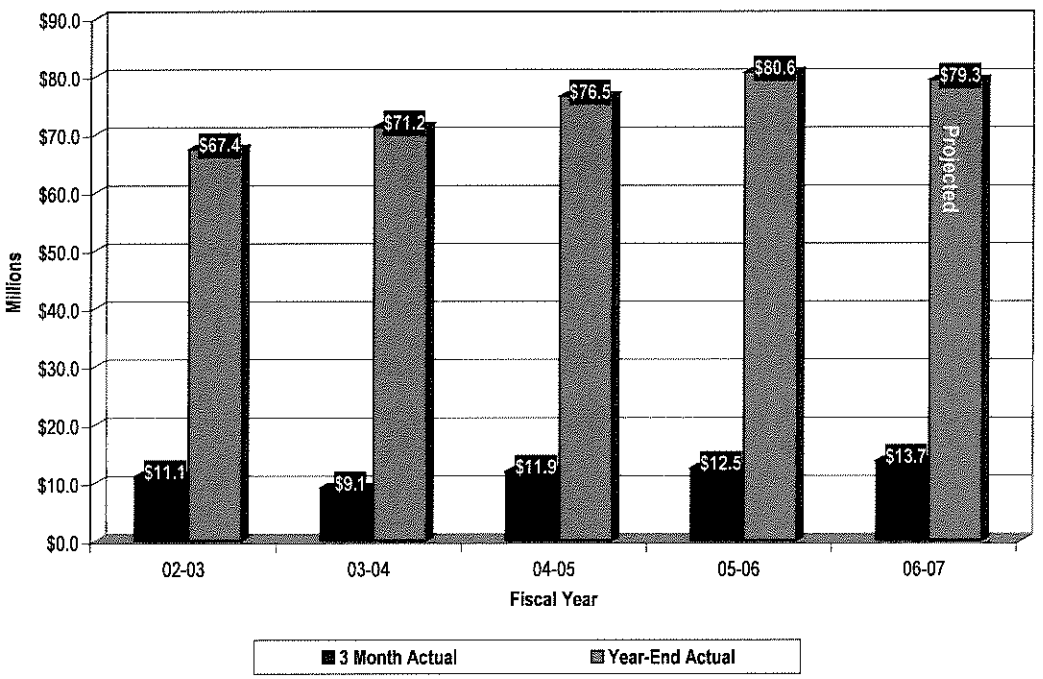
As of first quarter the actual revenue in the General Fund budgets was $13.7 million compared to $12.5 million for the same time period one year ago. This amount represents 17.4% of the 2006-2007 adjusted budget. Typically, department revenue at this point of the fiscal year ranges anywhere from 12.8% to 16.4% of the total year collections, placing this year well within the range to meet budgeted estimates.

Some of the significant variations in departmental revenue this year, compared to the same time period one year ago include:

- Typically at first quarter Animal Services revenue is approximately $230,000. This year actual revenue received as of the end of the first quarter is at $1.1 million due to a $874,910 payment from the State for mandated claiming through the SB 90 program for prior year claims creating significantly higher revenue than the prior year actuals.
- The Probation Department Casework budget actual revenue is over $500,000 below that typically received at this time of the year. The Department has claimed the revenue, however the payment has been delayed. The Department is confident that they will meet their revenue target at year-end.
- The Sheriff's Department actual revenue for Administration, Detention, Operations and Contract Cities exceeds the prior year by $1.1 million because of more timely claiming and invoicing of budgeted departmental revenue.

The following chart shows the General Fund - Departmental Revenue for a five year period including the current fiscal year:

General Fund--Departmental Revenue Five Year Comparison



DEPARTMENTAL EXPENDITURES

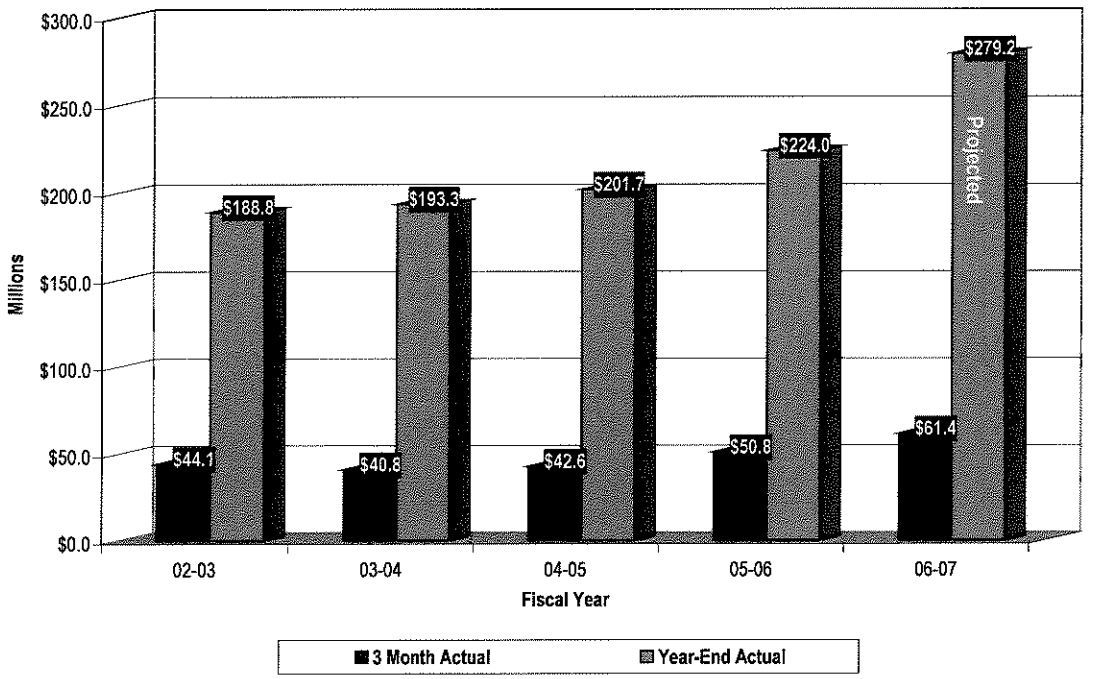
As of September 30, 2006, departmental expenditures for the General Fund are at $61.4 million compared to $50.8 million for the same time period one year ago for a number of reasons described below. This amount represents 22% of the 2006-2007 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 21.1% to 23.4% of the total year expenditures, placing this year on track to meet budgeted estimates.

Some of the significant variations in departmental expenditures this year, compared to the same time period one year ago include:

- The $4.5 million increased cost for General Fund Departments attributed to the Ventura Lawsuit Settlement of Retirement Benefits for retirees. Some of the most significant payment costs included: Auditor-Controller - $139,883; Chief Executive Office - $259,353; Office of Emergency Services/Fire Warden - $180,802; Parks and Recreation - $129,333; Probation Department - $274,873; Public Defender - $113,146 and Sheriff - $3,004,677. Not all of the budgets were adjusted for this increase, however, the expense was charged to the majority of departments.
- County Match expenditures, which are local funds used to leverage Federal and State funding for a variety of programs and functions and to meet other funding obligations, exceed the prior year by $1.9 million and is reflective of the overall increase this fiscal year in this budget. Included in the $1.9 million is the $1.1 million one-time payment to the Health Services Agency for the Ventura settlement costs. In addition, this is the first year that the 12th Street Parking Garage and Office Building budgets are included in this budget, reflecting a $115,761 increase in actual expenses over the prior year. The one-time contribution from the General Fund as part of the settlement on the Courthouse Construction Fund audit reflects a payment of $525,000 not included in the prior fiscal year. Finally the transfer from the Tobacco Endowment Trust toward the Health Services Agency deficit repayment is $97,000 greater than the prior fiscal year. These funds are being used to pay down the Health Services Agency deficit that resulted prior to implementation of the Strategic Plan. The Health Services Agency worked diligently to end the 2005-2006 fiscal year in a positive position, and would have except that a recent audit exception required the County to book the Ventura expense to the 2005-2006 fiscal year. Unfortunately, this audit finding was not anticipated and the Board did not approve the transfer of the designated funds until the current fiscal year, thereby reflecting a temporary deficit in the Health Services Agency for 2005-2006 Fiscal Year.
- The County's Debt Service budget reflects the $1.2 million in increased payments for the 12th Street Parking Garage and Office Building and for Gallo Performing Arts Center and was expected to begin this fiscal year with funding for these payments included in the 2006-2007 Proposed Budget.

The following chart shows the General Fund - Departmental Expenditures for a five year period including the current fiscal year:

General Fund--Departmental Expenditure Five Year Comparison



FIRST QUARTER ISSUES AND RECOMMENDATIONS

ANIMAL SERVICES: The Animal Services Department has requested an additional Animal Services Operations Supervisor for the purpose of providing direct supervision of community services and volunteer staff along with directing maintenance and repair services to the Animal Services Shelter. This position is unique in that it is critical to have someone in a lead position to oversee staff who work in these functions and the Facility on a daily basis. The proposed position would be responsible for supervision of staff, community service staff and volunteers assigned to facility related tasks as well as oversight of the preventive maintenance, safety and material data management programs. Additionally, in Final Budget 2006-2007 the Department requested a Maintenance Engineer II position, the request has been withdrawn by the Department.

Recommended Staffing Impacts:

Total current authorized positions - 37

It is recommended to add one Animal Services Operations Supervisor to this budget unit. This position will be eliminated once a current Animal Services Operations Supervisor position within the Department becomes vacant. The fiscal impact is approximately $35,983 for the remainder of the fiscal year. Funding for this recommendation can be absorbed in the Department's existing appropriations. It is recommended that the funding for this position be reviewed during the mid-year budget process.

Total recommended authorized positions – 38

ASSESSOR: When the Fiscal Year 2006-2007 budget was being developed, the Assessor's Office staff was in the process of working with Strategic Business Technology on a cost estimate for web site enhancements. Since the estimate was unavailable at the time that the Proposed and Final Budgets were being developed, the cost was not included. However, Strategic Business Technology recently provided the Department with a project cost estimate of $9,000. While this project will increase the Department's data processing costs for Fiscal Year 2006-2007, there will be future cost savings due to decreased maintenance costs of approximately $6,000 a year beginning in Fiscal Year 2007-2008. Hence, within 18 months it is estimated that the Department will recoup the entire cost of this project.

On September 19, 2006, the Board of Supervisors authorized the Chief Executive Office to pay the Stanislaus County Employees Retirement Association $6,816,744 for costs related to the Ventura Settlement. As noted in the agenda item, it was anticipated that departments would be charged for their portion of these retirement benefit costs. Of the $6,816,744 payment, $37,540 is for retirees of the Assessor's Office. While the funding for the Assessor's Office portion of the Ventura Settlement costs is not being requested at this time, this issue will be reevaluated at mid-year.

As part of the first quarter process, staff at the Chief Executive Office analyzed the Assessor's Office budget and projected costs in an effort to identify areas where the Department may exceed their budget authority before the Mid-Year Report. While a few areas appear close, Utilities and Salaries and Benefits, it appears that cost savings will be available to alleviate this issue until mid-year.

In 1996, the Assessor's Office purchased six vehicles (used for appraisals and audits) with Property Tax Administration Program (PTAP) funds. While the Department was able to purchase two replacement vehicles last year using Property Tax Administration Program (PTAP) funds, the program was suspended for Fiscal Year 2006-2007 and while there has been discussion regarding reinstating the program in Fiscal Year 2007-2008 nothing has been finalized. Due to the age and condition of the remaining vehicles, the Assessor's Office needs to replace the remaining four within the current Fiscal Year. Currently, the Department is working with Fleet Services to determine the most economical vehicles to purchase. While funding is not recommended at first quarter, this issue will be revisited during the mid-year process.

During the Proposed and Final Budget processes, the Assessor's Office requested funding for various unmet needs. Some of the Department's unmet needs have been reevaluated and several are being recommended for funding at first quarter:

- Upgrade of computer operating systems due to the lack of future support on older operating systems. The estimated cost is $31,500, not including the cost of Strategic Business Technology services. Currently, the Department is working with Strategic Business Technology to research alternatives. This need will be reevaluated during the mid-year process.
- Upgrade of eighteen desktop computers, two laptop computers and the purchase of six additional monitors at a cost of $23,000. This need is recommended for funding at first quarter.
- Megabyte system server maintenance and repairs as well as computer and printing supplies at a cost of $16,131. This need is recommended for funding at first quarter.

- Replacement of office equipment, which includes a microfiche, digital cameras, cell phones and calculators, at a cost of $6,000. This need is recommended for funding at first quarter.

  Recommendation: It is recommended that appropriations be increased $54,131 for the following: $38,000 on a one-time basis for the replacement of computers, office equipment and data processing services and $16,131 on an ongoing basis for server repair/maintenance as well as computer and printer supplies. The entire $54,131 will be funded through a transfer from Appropriations for Contingencies.

BOARD OF SUPERVISORS - CLERK OF THE BOARD: As part of the First Quarter Report, the Board of Supervisors - Clerk of the Board requested that appropriations be increased by $30,200. This request includes two new needs - $1,200 for the cost of a new computer for the Board Chambers and $1,000 for a vendor to provide on-line code update notification as well as two previous requests that were unmet needs at the Proposed and Final Budgets. The two previous requests that are now being recommended for funding are: $20,000 for the restoration of nine index books that date back to the 1800's and $8,000 for the records management project indexing system.

Recommendation: It is recommended that appropriations be increased $29,200 for restoration of index books, indexing system and new computer on a one-time basis and $1,000 on an ongoing basis for on-line code update. The entire $30,200 will be funded through a transfer from Appropriations for Contingencies.

CHIEF EXECUTIVE OFFICE - APPROPRIATIONS FOR CONTINGENCIES: Appropriations for Contingencies serves as a contingency fund for the County to provide sufficient funding for emergencies and unanticipated expenses. Transfers from this fund require a 4/5 vote of the Board of Supervisors. The 2006-2007 Final Budget included $9,827,050 in appropriations for exposures such as the January 2007 health insurance increase, labor related costs, pressures related to the County's Behavioral Health and Recovery Services, the Avian Flu, and other unanticipated exposures. At this time, it is recommended that the following transfers be made totaling $750,621, which are explained in greater detail in their department narratives:

- $54,131 to the Assessor's Office for computer purchases/upgrades, office equipment replacement, server repair and maintenance, computer and printer supplies, and Strategic Business Technology services to develop enhanced web sites;
- $30,200 to the Board of Supervisors - Clerk of the Board's budget for various costs including the purchase of a new computer for the chambers, the restoration of books, records management, and displaying the vendor code online;
- $34,000 to the Chief Executive Office - Operations and Services budget for the redesign of the County's web page;
- $93,360 to the Chief Executive Office - Office of Emergency Services/Fire Warden budget for the purchase of 12 Global Positioning System (GPS) units for the Avian Flu survey;
- $249,968 to the Chief Executive Office - General Fund Match budget for increased labor costs in Behavioral Health and Recovery Services;
- $17,558 to the Chief Executive Office - General Fund Match budget for additional costs associated with the payback of the Courthouse Construction Fund consistent with the draft agreement with the Administrative Office of the Courts;

- $134,373 to the Chief Executive Office - Jail Medical budget to fund additional medical staff through its contract with California Forensic Medical Group;
- $37,031 to the Parks Department to increase its Parks Operations and Maintenance fund for replacement of equipment, materials, and other needs; and
- $100,000 to the Sheriff to purchase a new engine for its 1977 Bell 206 L1 Long Ranger helicopter. This transfer will be partially offset by additional revenue from the sale of the existing engine upon completion of the upgrade, which will then be transferred back to this budget at that time.

Recommendation: Transfer $750,621 in appropriations from Appropriations for Contingencies by a 4/5 vote to the budgets as listed above. This leaves a remaining balance of $9,076,429.

CHIEF EXECUTIVE OFFICE - COUNTY COURT FUNDING: As part of the Proposed Budget, funding was set aside in this budget for unanticipated impacts from State actions. The Superior Court has an obligation totaling $107,706 for the Ventura lawsuit settlement concerning retirement costs of retirees who were employees of the then Stanislaus County Municipal and Superior Courts. The Superior Court believes that this cost is a County responsibility although the County does not concur. In an effort to achieve agreement on this issue, the County proposes paying the portion of the Court's share of the settlement costs consistent with the County's level of funding for the Court at the time the obligation occurred. An analysis of the County's General Fund contribution to court operations in the 1994-1995, 1995-1996 and 1996-1997 fiscal years has been completed. Based on the three year average by budget for the then Superior and Municipal Courts budgets and the County's relative contribution, it has been determined that the County's maximum share of the Superior Court' Ventura settlement costs would be $29,902. As a result, a journal to transfer this funding on behalf of the Court will be prepared and submitted to the Stanislaus County Employees Retirement Association.

Recommendation: Authorize the payment of $29,902 from existing appropriations by the County to the Retirement Association on behalf of the Superior Court for the County's share of the Ventura settlement costs.

CHIEF EXECUTIVE OFFICE - GENERAL FUND MATCH AND SUPPORT: In the Final Budget it was stated that an audit of the of the Courthouse Construction Fund had been conducted and an agreement was being drafted and would be signed by the parties resolving a dispute over the audit findings. The draft agreement provided that the County would reimburse the Courthouse Construction Fund $2,100,000. These funds were transferred from the County General Fund Appropriations for Contingencies through the County Match budget as part of the Final Budget adoption. A draft agreement has been received with a total settlement amount of $2,117,558. It is recommended that the balance of $17,558 be transferred from the County General Fund through the County Match budget as repayment to this fund per the proposed agreement.

The Behavioral Health and Recovery Services 2006-2007 Final Budget did not include funds for any negotiated cost of living increases, equity adjustments or other unanticipated expenses, due to reduced funding for Mental Health services identified by the Department in 2005-2006. The Department has requested funding in the amount of $321,755 to fund negotiated increases for staff and the Departmental portion of the Ventura settlement of retirement benefits for retirees.

Recommendation: It is recommended that appropriations be increased by $339,313 to fund a $17,558 transfer to the Courthouse Construction Fund for audit settlement and $321,755 to fund the Behavioral Health and Recovery Services request for negotiated increases and Ventura Settlement costs. The recommended increase for the ongoing salary related costs for Behavioral Health and Recovery Services and the one time contribution to the Courthouse Construction Fund will be funded by a $267,526 transfer from Appropriations for Contingencies. The one time transfer for the Ventura Settlement costs of $71,787 will be funded from existing Designations established for litigation.

Budget Unit	Recommended Funds
Behavioral Health and Recovery Services (BHRS)	$102,029
BHRS—Alcohol and Drug Program	755
BHRS—Managed Care	19,894
BHRS—Proposition 63	6,248
BHRS—Stanislaus Behavioral Health Center	168,552
BHRS—Stanislaus Recovery Center	24,277
CEO—Courthouse Construction Fund	17,558
TOTAL	$339,313

CHIEF EXECUTIVE OFFICE - JAIL MEDICAL PROGRAM: The Jail Medical Program budget funds a contract with California Forensic Medical Group (CFMG) to provide medical care to adult and juvenile inmates at a cost of $5.46 million this fiscal year. The maximum average daily population served in the contract is 1,350 inmates, and then a per diem charge is paid to California Forensic Medical Group (CFMG) for every inmate which exceeds the maximum number. The per diem charge is only for variable costs associated with the additional inmates (e.g., medications, exams, etc.), and does not cover additional staffing costs. The average daily population for the period of July through September 2006 was 1,474, exceeding the contract maximum by 124 inmates.

Because of the increased population, California Forensic Medical Group (CFMG) has added two additional positions (one Physician's Assistant and one Psychiatric Nurse) to treat both physical and mental illnesses. California Forensic Medical Group (CFMG) has recently opened contract negotiations with the County to discuss increasing the annual contract amount to include the additional staff that has already been added, and to phase in two additional staff (Licensed Vocational Nurse and a Certified Nursing Assistant) to provide extended coverage and relief for the current nursing and medical assistant staff. The cost of adding the two existing positions on January 1, 2007 and the two future positions on April 1, 2007 is $134,373 this fiscal year. The total annual cost of these positions is $329,820.

The Jail Medical Program budget also funds the cost of psychiatric medications for the juvenile detainees separately from the contract with California Forensic Medical Group (CFMG). This was done with the current contract in order to have more control over the mental health care of juvenile inmates. The Final Budget included $80,000 for those costs. The average monthly cost of these medications for the first quarter of the fiscal year is estimated at $10,000, which is trending higher than budget. Staff will monitor these expenses closely and bring a recommendation back to the Board in a subsequent report if additional funds are needed.

Recommendation: It is recommended that appropriations be increased by $134,373 for the cost of additional medical staffing, through a transfer from Appropriations for Contingencies.

CHIEF EXECUTIVE OFFICE – OFFICE OF EMERGENCY SERVICES/FIRE WARDEN: The Office of Emergency Services, in coordination with the Stanislaus County Avian Influenza Incident Management Team, is developing a 72-hour Poultry Avian Influenza Response Plan that will be immediately activated when a case of "high pathogen" Avian Influenza is suspected in poultry. The Incident Management Team consists of representatives from the Chief Executive Office, Office of Emergency Services, Agricultural Commissioner, Department of Environmental Resources, California Department of Food and Agriculture, California Poultry Association, Salida Fire Protection District, Oakdale City Fire Department and Ceres Emergency Services. The Team has begun to identify the equipment necessary to respond to and mitigate Avian Influenza. A critical need exists for survey equipment to conduct house-to-house surveys of potentially infected areas to quickly control the spread of the virus. The use of Global Positioning System (GPS) units will enable the survey data to be rapidly entered into a database, easily downloaded into a Geographic Information System (GIS) map, and will result in a reduction of staff time and costs required for manual data entry. Currently the City of Ceres has two Global Positioning Systems (GPS) units and plans to purchase two additional units. The Agricultural Commissioner is in the process of purchasing two units, and the Office of Emergency Services is purchasing two units with Homeland Security Grant funds. An additional 12 units are necessary to support the 72-hour response plan. The Office of Emergency Services is requesting $93,360 in General Funds to purchase 12 Global Positioning System (GPS) units and supporting software, three copies of syncing software and appropriate training and technical support for the units.

The Office of Emergency Services is requesting the use of Public Facility Fees (PFF) funds in the amount of $132,000, to purchase a Mobile Air Breathing Support Unit and equipment to complete the Fire Command Trailer. These purchases will be used regionally to provide on-scene support of emergency incidents to all fire agencies in Stanislaus County. The Mobile Air Breathing Support Unit will be used to fill air cylinders that are part of self-contained breathing apparatus, which are used by firefighters in immediate life hazard environments such as structure fires, vehicle fires, hazardous materials incidents and confined space rescue incidents. Although the County purchased one unit in 1989, incidents requiring the use of filled air cylinders have increased by over 300% since that time and one unit is no longer sufficient to meet the needs of the County. The Fire Command Trailer, when completed, will be a fully functional command and communications center to support the incident management team on significant incidents with extended operational periods. The trailer, tow vehicle and all communications equipment/technology were purchased with Homeland Security Grant funds. The balance of the equipment needed to complete the Trailer include emergency scene lighting, interior seating, electrical equipment, public address system and other miscellaneous equipment not identified in grant funding. This resource will provide all fire agencies the ability to deploy a mobile command post to support emergency operations in the field. The Public Facility Fees (PFF) Committee has approved the use of Public Facility Fees (PFF) funds for these purchases.

Recommendation: It is recommended that appropriations be increased on a one-time basis in this budget by $93,360 through a transfer from Appropriations for Contingencies, for the purchase of 12 Global Positioning System (GPS) units for use in the Avian Influenza Response Plan. It is further recommended that appropriations and estimated revenues be increased by $132,000 through a transfer of Public Facilities Fees (PFF), for the purchase of a Mobile Air Breathing Support Unit and equipment to complete the Fire Command Trailer.

CHIEF EXECUTIVE OFFICE - OPERATIONS AND SERVICES: Since 1997, the County has worked closely with the United Way of Stanislaus County to provide services for the County's Volunteer and Mentoring Programs. The current contract amount is $74,721 annually. The United Way's Volunteer Center coordinates our volunteer efforts of approximately 500 volunteers in 2005. Additionally, the United Way Volunteer Center coordinates the County's Mentoring Program which was established in 1999, 300 County employees are teamed up with local students, young people and seniors in our community.

The Stanislaus County website design concept is nearing three years old. Web technology is rapidly changing, as are the expectations of the public. Effective use of the web is critical in creating and maintaining an effective communication strategy with the public. The Pew Research Center Internet studies show that more than 73% of United States adults are internet users and that more than 84 million Americans have a "broadband" internet connection (a 42% increase in one year). In order to make the Stanislaus County website a more-effective citizen gateway to services, the County website needs to be upgraded.

Significant improvements need to take place to provide better service to the public; to improve navigation of the site; to enhance the availability of County Government information and/or services to a broad segment of the public; to enhance the look and feel of the website; and to help standardize County Departments' websites with a more common look and feel for the public to help with consistent navigation. The project would also create a mechanism for County television programming currently broadcast on the government channel to be video-streamed on the County's website, providing further access to this County information for the public. The project would also involve implementing a web steering committee, including a representative or delegate of the Board of Supervisors and other representatives of other County departments, that would help develop and monitor countywide standards for the web.

The County is currently involved in a number of web-based initiatives including: Customer Relationship Management; web-based transactions; placing County Code on-line; web-based customer surveys; video streaming for Board of Supervisor meetings. Continuing to upgrade and improve the website will bring greater benefit to the public.

Strategic Business Technology staff would coordinate the website upgrade in coordination with the County's Director of Communications working closely with department representatives and the Steering Committee. Strategic Business Technology has calculated the total cost of the web upgrade would be $34,000.

> **Recommendation:** It is recommended to continue the contract with United Way for the Fiscal Year 2006-2007 at a cost of $74,721. This is not an increase from last fiscal year. The cost can be absorbed in the Department's existing appropriations.
>
> It is recommended appropriations in Chief Executive Office - Operations and Services be increased by $34,000 for the cost of upgrading the County's website. This cost will be funded by a transfer from Appropriations for Contingencies.

CHIEF EXECUTIVE OFFICE - PLANT ACQUISITION: The 2006-2007 Final Budget included $1.6 million in funding to support various current and future capital projects. Approximately $20,000 has been spent and/or encumbered in this budget for various fixed asset costs related to current capital projects. None of

the $1.6 million added to this budget during the Final Budget was allocated to fixed assets. As a result, it is now necessary to transfer $20,000 to fixed assets to fund these project costs where a fixed asset, or equipment is needed to allow for proper accounting.
In Fiscal Year 2002-2003, Stanislaus County purchased the land for the 12th Street Office Building and Parking Garage at a cost of $245,338, and paid for that expense out of the Plant Acquisition budget. The expense was part of the overall capital project budget and needs to be moved into the capital project fund. In order to accurately record the expense, cash from the capital project fund will be transferred to this budget as revenue in order to reimburse the General Fund for the expense for the purchase in a previous fiscal year.

> **Recommendation:** It is recommended that $20,000 in appropriations be transferred from Services and Supplies to Fixed Assets to fund various capital project costs from existing appropriations. Finally, it is recommended that estimated revenue be increased by $245,338 for the reimbursement of the land purchase in a past fiscal year for the 12th Street Office Building and Parking Garage.

PARKS AND RECREATION: As part of the Final Budget, the Board of Supervisors approved the transfer of $37,031 in revenue into this budget unit from the consolidation of cash balances contained in various park grants. The Department has requested an increase in appropriations by this amount during first quarter to fund various park operating expenses including: the purchase and installation of materials lost within the County's park systems (Laird Park, Shiloh River Access and Las Palmas River Access) due to the recent flooding; non-reimbursable costs associated with the United Community Park Capital Project; and two expenses related to Woodward Reservoir Regional Parks (the purchase of new water safety buoys and required Air Pollution Control Compliance testing).

The Department has also requested an increase in retirement appropriations in the amount of $129,333 in order to fund the additional cost resulting from the Ventura settlement. An increase in appropriations and estimated revenue of $19,225 is also requested for necessary repairs at the La Grange Museum stemming from a vehicle accident that damaged the building earlier in the year.

On February 28, 2006, the Board of Supervisors approved the Mid Year Financial Report for Fiscal Year 2005-2006. Included in the report was approval to establish a designation of $1 million for public water system improvements at Woodward and Frank Raines Parks. Both systems are in need of substantial work to be in compliance with Department of Health Services. During a review of pending park capital improvement projects, the Department of Parks and Recreation reviewed those that are tied to State funding to ensure that they are progressing as anticipated in an effort to avoid any loss of awarded grant funding. It was determined that $859,000 of Proposition 12 funding, designed for a joint facility park project with the Salida School District is at risk since the deadline for use of these grant monies is 2008. As such, the Department has requested reallocating the Proposition 12 funding to the public water system improvements at Woodward Reservoir and Frank Raines Regional Parks to ensure timely utilization of the State grant funding. In turn, a portion of the designation will be used for other park capital improvement projects that may include the Empire Community Pool and the Salida Joint Use Facility Projects.

> **Recommendation:** It is recommended that appropriations be increased by $56,256 and estimated revenue by $19,225 from an insurance claim for the La Grange Museum. The appropriation adjustment will be used to fund various park operating expenses and repairs for the La Grange Museum. This recommended action will require a $37,031 transfer from Appropriations for

Contingencies. It is further recommended that the request for $129,333 in retirement appropriations be revisited during the preparation of the Mid-Year Financial Report for possible consideration.

SHERIFF - ADMINISTRATION: To better reflect existing staff assignments and the distribution of job duties, the Department has requested that one Administrative Clerk I and one Account Clerk III be transferred to Administration from Operations. It will be necessary to transfer appropriations in the amount of $102,205 from the Operations budget to Administration to reflect the annual cost of these two positions.

Recommendation: It is recommended that appropriations be increased by $102,205 through a transfer from the Operations budget, to reflect the cost of the two positions being transferred to Administration from Operations.

Recommended Staffing Impacts:

Total current authorized positions - 25

It is recommended to transfer in one Administrative Clerk I position and one Account Clerk III position from the Operations budget unit to this budget unit.

Total recommended authorized positions - 27

SHERIFF - CONTRACT CITIES: The Department has requested to add a Deputy Sheriff position to the City of Riverbank to maintain the 0.85 per 1,000 population staffing ratio as required in the contract between the County and the City of Riverbank. This position will add a second property crimes investigator to the City and will be the primary contact for local businesses in the Riverbank community. The total cost of the position on an annual basis is $108,118. The Department has requested an increase in appropriations and anticipated revenue received through the contract with the City of Riverbank for law enforcement services of $90,098 to cover ten months of the anticipated cost of this new position.

Recommendation: It is recommended that appropriations and estimated revenue received through the contract for law enforcement services with the City of Riverbank be increased $90,098 to cover ten months of the cost for the new Deputy Sheriff position.

Recommended Staffing Impacts:

Total current authorized positions - 50

It is recommended to add one Deputy Sheriff to the City of Riverbank. The fiscal impact is approximately $90,098 for ten months of this fiscal year. The City of Riverbank will fund this position and there is no additional cost to the County's General Fund.

Total recommended authorized positions - 51

SHERIFF - OPERATIONS: The Department has requested an increase in appropriations to fund the purchase of a new engine for the 1977 Bell 206 L1 Long Ranger. This helicopter was purchased in 2002 with California Multi-jurisdictional Methamphetamine Enforcement Taskforce (Cal-MMET) and High

Intensity Drug Trafficking Area (HIDTA) funds. The aircraft is intended to provide an aerial surveillance platform for drug interdiction/investigations and to assist law enforcement agencies countywide by providing an aerial vehicle for law enforcement. This helicopter has also been used for rescue and recovery efforts in the region. In order to enhance the power and performance of this aircraft it is necessary to purchase a new engine. The actual cost of the equipment upgrade will be approximately $343,000 and will cover all components and labor costs associated with the upgrade. Projected cost savings in the Sheriff's Department aircraft liability account and other existing funds allocated for aircraft expenses will fund $243,000 of the engine replacement costs through a transfer to fixed assets for this purchase. The Sheriff has requested a first quarter adjustment of $100,000 to the Operations budget to fund the remaining portion of this cost. The Sheriff is also requesting authorization to sell the existing engine upon completion of the upgrade. It is anticipated that additional revenue will be generated by the sale of the existing aircraft engine and that the revenue generated from the sale would offset the County's General Fund contribution and would be transferred back to Appropriations for Contingencies upon receipt. The Sheriff's Department goal to have an aircraft that can serve the County for at least the next 15 years would be achieved through the installation of a new engine as proposed.

In addition, as part of the Final Budget it was stated that the Sheriff's Department reduced Federal entitlement funding for one and one half Deputy Sheriff positions would be reviewed as part of the First Quarter Financial report. The other half of one of the positions is funded by a contract with Modesto City Schools. Both positions serve the Shackelford and Tuolumne school areas and are currently funded in the Sheriff's budget. The need for these two positions continues in order to provide necessary law enforcement services. The Sheriff's Department can fund the Tuolumne school position between the contract with Modesto City Schools and the available entitlement funding. The Department can fund the Shackelford position out of existing appropriations with no increased net county cost in the current fiscal year. Full funding for this position may not be available in the 2007-2008 Fiscal Year.

To better reflect existing staff assignments and the distribution of job duties, the Department has requested that one Administrative Clerk I and one Account Clerk III be transferred to Administration from Operations. The Department is requesting that appropriations in the amount of $102,205 be transferred from the Operations budget to the Administration budget to reflect the annual cost of these two positions.

> **Recommendation:** It is recommended that appropriations be increased by $100,000 in the Operations - Patrol/ Air Support budget through a transfer from Appropriations for Contingencies to cover a portion of the cost of a new engine for the Sheriff's helicopter. It is recommended that $243,000 in existing appropriations be transferred from Services and Supplies to Fixed Assets to fund the entire $343,000 cost of the engine replacement. It is recommended that the Sheriff be given the authority to salvage the old engine once the new engine has been installed and that proceeds from the sale be used to reimburse the General Fund contribution of $100,000. Finally, it is recommended that appropriations be decreased by $102,205 through a transfer to the Administration budget, to reflect the cost of the two positions being transferred to Administration from Operations. There is no recommendation necessary regarding the two Deputy Sheriff positions that are currently funded in the Sheriff's budget.

Recommended Staffing Impacts:

Total current authorized positions - 253

It is recommended to transfer out one Administrative Clerk I position and one Account Clerk III position from this budget unit to the Administration budget unit.

Total recommended authorized positions - 251

FUND SUMMARY

Overall, estimated revenue and expenditures for the General Fund are recommended to increase $486,661 and $313,110 respectively. The revenue increase is reflective of $486,661 of increased department revenue. A total of $750,621 is recommended to be transferred from Appropriations for Contingencies. These recommended transfers include one-time increases in department expenditures for: computer upgrade and office equipment purchases and a website upgrade for the Assessor; computer equipment purchases, restoration of Board documents and purchase of an indexing system for the Clerk of the Board; County web page redesign costs; purchase of Global Position System (GPS) equipment in preparation for the Avian Flu survey for the Office of Emergency Services; additional payment toward the settlement of the Courthouse Construction Fund audit, Parks Department flood loss costs, safety equipment and compliance testing and a contribution toward the replacement of the engine for the Sheriff's helicopter. Also recommended is the transfer of funding for ongoing costs including the Assessor's computer maintenance, repair and supply costs; display of the vendor code online for the Clerk of the Board and increased staffing costs associated with the Jail Medical contract. Based upon strong department revenue projections and prudent spending by the departments, and anticipated receipt of discretionary revenue as budgeted this year the General Fund is on track to remain within budgeted appropriations.

SPECIAL REVENUE FUNDS

OVERVIEW

Special Revenue Funds are a fund type used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Some of the larger Special Revenue Funds include Behavioral Health and Recovery Services, Child Support Services, Community Services Agency, Department of Employment and Training, District Attorney Grant programs, Environmental Resources, Health Services Agency, Public Works and a variety of other grant programs.

The Special Revenue Funds account for over 51.4% of Stanislaus County's budget. The 2006-2007 Final Budget for Special Revenue Funds included $462,738,641 in expenditures that were balanced by $442,368,122 in revenue, $15,499,845 in General Fund contributions through County Match, and $4,870,674 in department fund balance/retained earnings.

FUNDING SOURCE

Departmental Revenue

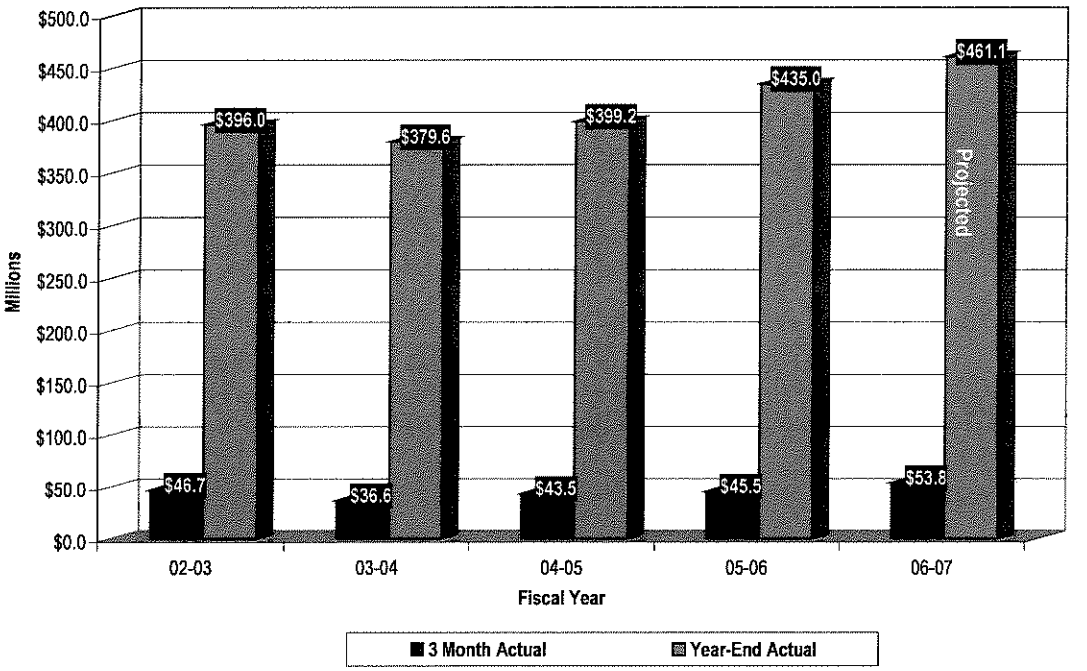
As of September 30, 2006, the total revenue in these budgets was $53.8 million compared to $45.5 million for the same time period one year ago. This amount represents 12% of the 2006-2007 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 10% to 12% of the total year collections, placing this year on track to meet budgeted estimates.

Some of the significant variations in departmental revenue this year, compared to the same time period one year ago include:

- A $1.3 million increase in revenues for the District Attorney's Child Abduction Unit due to reimbursement from the State for mandated services provided by the County for the safe return of kidnapped or concealed children. The reimbursement is for Fiscal Years 1995-1996, 1996-1997 and 2000-2001 and reduces the deficit in this Special Revenue Fund to approximately $957,000.
- A $3.4 million increase in intergovernmental revenue for the Public Works – Road and Bridge budget due to the receipt of Proposition 42 funds that the State has owed the County for Fiscal Years 2003-2004 and 2004-2005.
- A $2.2 million increase in revenues in the Behavioral Health and Recovery Services – Proposition 63 budget due to the State's approval and funding of the Department's Mental Health Services Act Community Services and Supports Plan. The plan includes eleven new services for individuals with serious mental illnesses and will be fully implemented this fiscal year.
- A $1.6 million increase in revenues in the Behavioral Health and Recovery Services – Substance Abuse budget due to a timing difference. In the current fiscal year, the Department received $1.6 million from the State in September for their 2006-2007 allocation from the Substance Abuse Treatment Trust Fund, but in the previous fiscal year the Department received their allocation for 2005-2006 in November 2005.
- A $1.2 million decrease in revenues in the Community Services Agency - Services and Supplies budget due to the receipt from the State of approximately $1.7 million in September 2005 for Fiscal Years 2002-2003 and 2003-2004 Sales Tax Growth Account revenues targeted for social services programs.
- A $5.1 million increase in revenue in the Community Services Agency - Public Assistance budget is primarily due to timing differences. In the current fiscal year, the Department has received and posted assistance payments revenue for various State and/or Federal Aid accounts for the months of July and August. However, in Fiscal Year 2005-2006, only July was received and posted by the end of the first quarter.
- A $736,738 decrease in revenue for the Health Services Agency - Administration budget due to increased operational efficiencies as directed in the Health Services Agency Strategic Plan. The operational efficiencies have resulted in fewer costs available for allocation to the various programs.
- A $648,395 decrease in revenue for the Health Services Agency - Indigent Health Care budget. This decrease is primarily due to the following changes: an increase in charges for services as a result of an operational change in how collections for Indigent Health are recorded and a decrease in the vehicle license fee base as originally reported in the 2005-2006 Mid Year Report.
- A $2.3 million decrease in revenues from other financing sources in the Public Works - Road and Bridge budget. Fewer transfers occurred in the first quarter of Fiscal Year 2006-2007 from Public Facility Fees than were received a year ago. Normally these funds are transferred as the contracts for the design/construction are awarded, however, while there are some Public Facility Fees funded projects in process for Fiscal Year 2006-2007, they are awaiting contract awards.

The following chart shows the Special Revenue Funds - Departmental Revenue for a five year period including the current fiscal year:

Special Revenue Funds--Departmental Revenue Five Year Comparison



DEPARTMENTAL EXPENDITURES

As of September 30, 2006, departmental expenditures for the Special Revenue Funds are at $84.3 million compared to $80.6 million for the same time period one year ago. This amount represents 17% of the 2006-2007 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 17% to 20% of the total year expenditures, placing this year on track to meet budgeted estimates.

Some of the significant variations in departmental expenditures this year, compared to the same time period one year ago include:

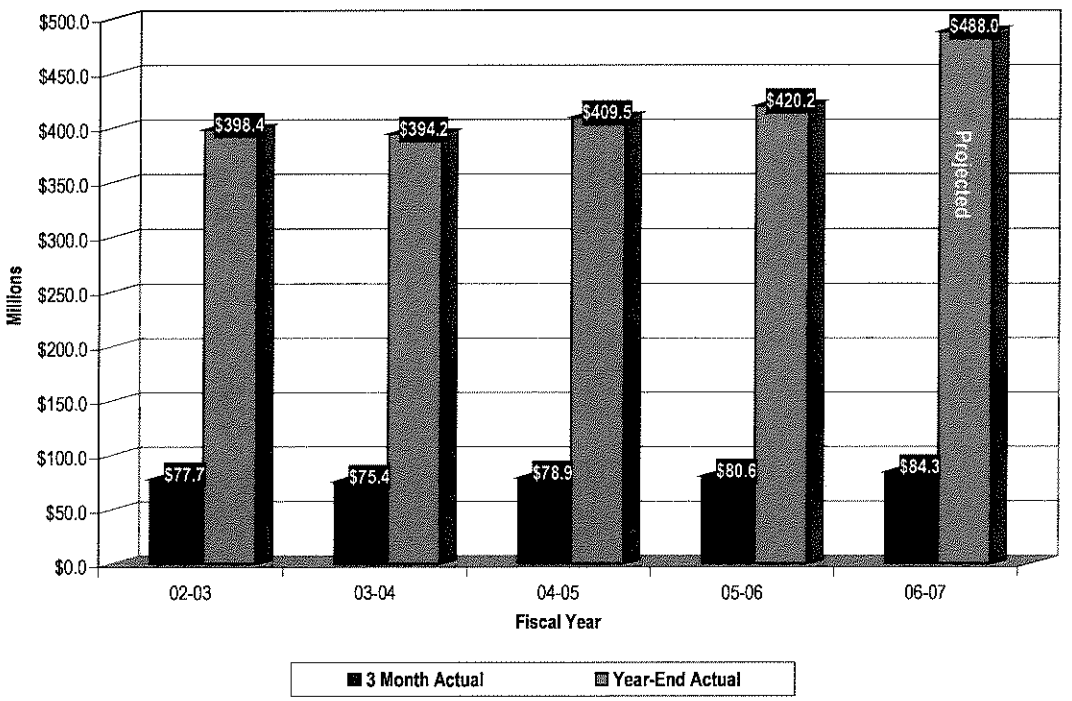
- A $973,411 decrease in expenditures for the Alliance Worknet - Administration budget due to the substantial reduction in the County's allocation for Fiscal Year 2006-2007.
- A $866,784 increase in expenditures for the Behavioral Health and Recovery Services - Proposition 63 budget due to the State's approval and funding of the Department's Mental Health Services Act Community Services and Supports Plan. The plan includes eleven new services for individuals with serious mental illnesses and will be fully implemented this fiscal year.
- A $1.7 million increase in expenditures for the Community Services Agency - Services and Supplies budget due primarily to the addition of 24 new positions, of which 16 are casework positions and are essential to support an expansion of services and staff in the community, as well as an increase in

contracted services to provide diversion activities necessary to meet the more stringent performance standards for the Welfare to Work program.

- A $509,691 decrease in expenditures for the Health Services Agency - Administration budget due to operational efficiencies that have resulted in decreased costs.
- A $681,301 increase in expenditures for the Health Services Agency - Indigent Health Care budget due to the expansion of dental services to Healthy Cubs program beneficiaries and the addition of thirteen Family Services Specialist positions that were transferred from the Community Services Agency to the Indigent Health Care program.
- A $1.4 million increase in expenditures for the Public Works-Road and Bridge budget due to the receipt of Proposition 42 funds that were previously withheld by the State due to budget constraints. This increase in funds has resulted in additional resources being available for road maintenance and projects.

The following chart shows the Special Revenue Funds - Departmental Expenditures for a five year period including current fiscal year:

Special Revenue Funds--Departmental Expenditure Five Year Comparison



FIRST QUARTER ISSUES AND RECOMMENDATIONS

ALLIANCE WORKNET - ADMINISTRATION: At the time of the preparation of Final Budget Addendum, the Alliance Worknet was awaiting notification of Stanislaus County's final Workforce Investment Act (WIA) allocation for Fiscal Year 2006-2007. The State provided final notification of the County's allocation for the current fiscal year on October 4, 2006. Although the Department anticipated a reduction in the County's annual allocation when compared to prior year, upon final notification it was found that the reduction was

not as severe as originally expected. The County suffered a net reduction of $907,779 of WIA funds in Fiscal Year 2006-2007 when compared to Fiscal Year 2005-2006.

The Alliance Worknet was also notified of additional funding from several grant sources totaling $644,449. In addition, increases in actual WIA allocations and carry over funds totaled $258,793 more than what was estimated. The additional revenue of $903,242 will be used to maintain service levels similar to those provided in the prior year and to possibly restore a previously deleted staff position. The Department will explore the latter in the next few months for possible consideration during the 2006-2007 Mid Year Financial Report. Services include those provided to 15,000 "core service" customers seeking job and training information through three resource center locations, 1,900 adults and dislocated workers receiving individualized employment and training services, and an estimated 400 plus youth receiving employment preparation and job placement services.

> **Recommendation**: It is recommended that appropriations and estimated revenue be increased by $903,242 to be used to maintain service levels at a rate similar to the prior year which include job training, employment preparation, and job placement services.

ALLIANCE WORKNET - STANWORKS: The Alliance Worknet - StanWorks budget includes an annual allocation from the Community Service Agency (CSA). Under contract with CSA to serve local Temporary Aid to Needy Families (TANF) recipients, the Alliance Worknet provides a wide range of employment and training services. These include job searching, resume writing, and providing classes to enhance interviewing skills.

Each year, during the preparation of the Final Budget, there is a level of uncertainty regarding CSA's annual allocation. A small technical adjustment is traditionally necessary either during the First Quarter or Mid Year Financial Report to the Board of Supervisors. This year, an adjustment to appropriations and estimated revenue is necessary in the amount $2,038.

> **Recommendation**: It is recommended that appropriations and estimated revenue be increased by $2,308 for the implementation of the StanWorks program at the actual funding level provided by the Community Services Agency for employment and training services for TANF customers.

BEHAVIORAL HEALTH AND RECOVERY SERVICES: In both the Proposed and Final Budgets for 2006-2007, the Behavioral Health and Recovery Services indicated an inability to fund any negotiated cost of living increases, equity increases or other unanticipated expenses, due to the departmental structural deficit identified during 2005-2006. The Department is requesting $37,626 in appropriations to fund a 1.5% equity increase negotiated for the Clinical Services Technicians, effective July 9, 2006. The Department is also requesting $43,790 in appropriations to fund a cost of living increase negotiated by the California Nurses' Association, of which 3% was effective on September 4, 2006 and an additional 3% will become effective on November 12, 2006. Finally, the Department is requesting $71,787 in appropriations to fund the departmental portion of the Ventura settlement of retirement benefits for retirees.

Recommendation: It is recommended that appropriations and estimated revenues be increased by $153,203, funded through County Match. Funds will be allocated to the Behavioral Health and Recovery Services budgets as follows:

Budget Unit	Recommended Funds
Behavioral Health and Recovery Services (BHRS)	$102,029
BHRS—Alcohol and Drug Program	755
BHRS—Managed Care	19,894
BHRS—Proposition 63	6,248
BHRS—Stanislaus Recovery Center	24,277
TOTAL	$153,203

ENVIRONMENTAL RESOURCES: On January 31, 2006, the Board of Supervisors approved a Waste Tire Enforcement Grant from the California Integrated Waste Management Board (CIWMB) for the Department of Environmental Resources (DER). The budget for the grant included $17,626 for the purchase of a vehicle to support the program. The Department is in the process of changing its entire fleet of vehicles to hybrid vehicles and has requested using funds from other sources to supplement the amount needed to purchase such a vehicle for the Waste Tire Enforcement Program. This amounts to a need of an additional $11,160 in appropriations. The remaining funds are available from an Air Pollution Control Remove Grant and the Vehicle Registration Fund.

The Department has also requested an increase in retirement appropriations in the amount of $134,000 in order to pay for additional retirement costs resulting from the Ventura decision. Funds are available from the Department's fund balance to cover this request.

Recently, the Departments of Public Works and Environmental Resources and the Chief Executive Office have begun discussing aligning landfill operations (currently in Public Works) with the County's solid waste and recycling programs (currently located in Environmental Resources). The move of landfill operations into the Department of Environmental Resources would allow for increased coordination and effectiveness in solid waste management activities. In addition, there are several projects related to the Board's priorities, such as the Bioreactor feasibility study and a potential recycling center at the Fink Road Landfill, which will require additional resources and leadership to manage. As such, it is recommended that an Assistant Director - Solid Waste position be added to the Department Environmental Resources to provide this leadership. Final details associated with the actual reorganization are currently being worked out and will be brought back to the Board of Supervisors for consideration within the next several months. Since recruitment for this new position will take several months, authorization for the position is being requested now so that recruitment activity can commence. The associated cost for this new position will be equally shared by supporting budget units utilizing existing appropriations.

Recommendation: It is recommended that appropriations be increased by $145,160 from available fund balance for vehicle costs related to the Waste Tire Enforcement Program and retirement costs resulting from the Ventura decision.

Recommended Staffing Impacts:

Total current authorized positions - 77

It is recommended to add one Assistant Director position to the Department of Environmental Resources. The estimated fiscal impact is approximately $61,240 for the remainder of the fiscal year to be covered by existing appropriations in the Department of Environmental Resources and Fink Road Landfill budget units.

Total recommended authorized positions - 78

ENVIRONMENTAL RESOURCES - HAZARDOUS MATERIALS DISCLOSURE PROGRAM: The Department has requested establishing a new budget for this fund. Historically, revenue has been received in this fund for the Hazardous Materials Disclosure Program. The Department has requested establishing both the appropriations ($451,500) and estimated revenue ($301,500) for the Hazardous Materials Disclosure Program. It is also requested that the difference be funded through the Department's fund balance.

> **Recommendation**: It is recommended that appropriations be increased by $451,500 and estimated revenue by $301,500 in order to establish the budget for the Hazardous Materials Disclosure Program. The recommended actions will result in the use of $150,000 in department fund balance.

HEALTH SERVICES AGENCY - ADMINISTRATION: Due the Agency's strategic planning process the Department has requested its leadership structure to be studied with several changes in overall structure being recommended.

Recommended Staffing Impacts:

Total current authorized positions - 88

It is recommended to laterally reclassify one Nurse Manager position to an Assistant Director. This position will oversee the business functions of the Department's clinic and ancillary functions. The fiscal impact is approximately $6,000 for the remainder of the fiscal year. Funding for this reclassification can be absorbed in the Department's existing appropriations.

It is recommended to reclassify downward one Assistant Director position to Manager IV. This position oversees Information Technology for the Department and is currently filled at the Manager IV level. There is no fiscal impact to this recommendation.

It is recommended to add one Manager IV position to oversee the Department's Central Business Office as part of the Clinic and Ancillary restructure. The fiscal impact is approximately $64,000 for the remainder of the fiscal year. Funding for this position can be absorbed in the Department's existing appropriations.

Total recommended authorized positions - 89

LIBRARY: In the Final Budget 2006-2007, the Department requested a review of the Information Technology Division of the Library. In addition, the Department has requested a study of the Deputy County Librarian (Manager IV) position. It is recommended to study this request.

Recommended Staffing Impacts:

Total current authorized positions - 98

It is recommended to reclassify one Manager III position to Manager IV, this position will oversee the Library's supportive services functions, including information technology, acquisitions, facilities, messenger services, and the internet/magazine unit. The fiscal impact is approximately $4,300 for the remainder of the fiscal year. Funding for this reclassification can be absorbed in the Department's existing appropriations.

It is recommended to reclassify downward one Application Specialist III position. The intent was to provide a lead function in this area, however the Department is utilizing and plans to utilize the three Application Specialist positions equally. There is no fiscal impact to this recommendation as the position is currently under-filled as an Application Specialist II.

It is recommended to add one Systems Engineer II position to this budget unit. This position will support the Supportive Services Manager with the Library's network system and information technology security needs. The fiscal impact for this recommendation is approximately $39,550 for the remainder of the fiscal year. Funding for this new position can be absorbed in the Department's existing appropriations.

Total recommended authorized positions – 99

PUBLIC WORKS – ROAD AND BRIDGE: During the 2005-2006 Fiscal Year, the Department requested a reclassification study of an Administrative Clerk III position. This study has been completed and it is recommended that the position be reclassified to an Account Clerk III.

Recommended Staffing Impacts:

Total current authorized positions - 19

It is recommended to reclassify upward one Administrative Clerk III position to Account Clerk III. The fiscal impact is approximately $2,000 for the fiscal year. Funding for this reclassification can be absorbed in the Department's existing appropriations.

Total current authorized positions - 19

FUND SUMMARY

Overall, expenditures for the Special Revenue Funds are recommended to increase by $1,655,143 an increase of funds by $1,359,983 in estimated revenue and $320,160 in departmental fund balance. As of the Final Budget, this group of funds anticipated a planned usage of fund balance of $4.9 million. The recommendations contained herein do not significantly change the overall level of fund balance; however, they do rely on $153,203 in additional County General Funds.

The following Special Revenue Budgets are not included in the Final Budget, but are recommended for adjustment at this time:

PARKS AND RECREATION - COUNTY SERVICE AREA 10: The County Service Area 10 special district includes a budget for the landscape and streetscape maintenance in the designated area of the Town of Salida. As part of an ongoing commitment to the community to restore the landscape throughout County Service Area 10, the Department of Parks and Recreation presented its strategy for improvements for the upcoming year to the Salida Municipal Advisory Council and community in October. Based on discussions at the community level, the Department has requested the use of $15,000 of available County Service Area 10 fund balance for additional planting and tree-trimming projects.

> **Recommendation**: It is recommended that appropriations be increased by $15,000 through available County Service Area 10 fund balance to cover the cost of planned improvements (additional planting and tree trimming projects) for the current year within the established district.

PARKS AND RECREATION - COUNTY SERVICE AREA 17: The County Service Area 17 special district includes a budget for the landscape and equipment maintenance at Bonita Ranch Park in the Town of Keyes. During first quarter, the Bonita Ranch Park experienced substantial damage to the existing playground equipment resulting from fire vandalism. Replacement costs for equipment, materials and labor is estimated at $34,800. The insurance will cover replacement costs over $10,000. County Service Area 17 fund balance is available to absorb the $10,000 deductible. The Department of Parks and Recreation has requested an increase in appropriations by $34,800 and estimated revenue by $24,800 in order to proceed with the replacement of the playground equipment.

> **Recommendation**: It is recommended that appropriations be increased by $34,800 and estimated revenue by $24,800 to cover the insurance deductible and move forward with the replacement of the damaged playground equipment at Bonita Ranch Park. The recommended action will result in the use of $10,000 of available County Service Area 17 fund balance

CAPITAL PROJECT FUNDS

OVERVIEW

Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities. These include the Planning – Redevelopment Agency and RDA Housing Set-Aside budgets, as well as the Chief Executive Office – Courthouse Construction Fund and the Criminal Justice Facilities Fund budgets. This does not represent all of the County's capital projects currently underway. Major capital projects are carried in the budget over their multi-year delivery schedules.

The Capital Project Funds account for 1.7% of Stanislaus County's budget. The 2006-2007 Final Budget for Capital Funds included $15,519,607 in expenditures that were balanced by $7,957,568 in revenue and $7,562,039 in department fund balance.

FUNDING SOURCE

Departmental Revenue

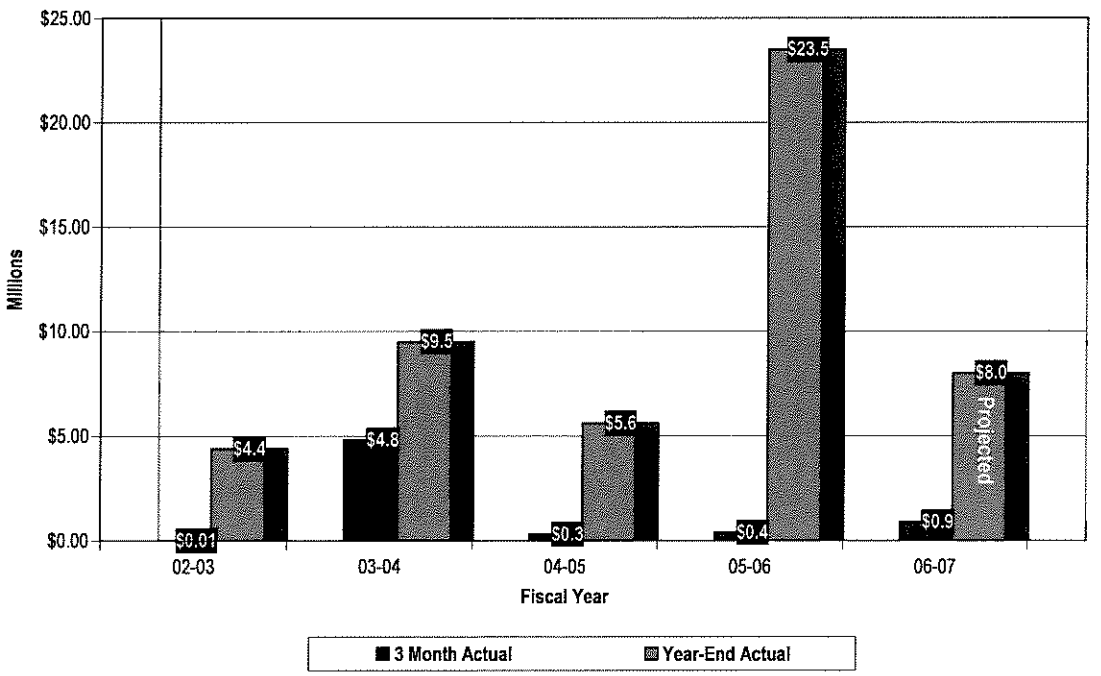
As of September 30, 2006, the total revenue in these budgets was $0.8 million compared to $0.6 million for the same time period one year ago. This amount represents 11% of the 2006-2007 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 1% to 69% of the total year collections, placing this year within budgeted estimates.

The variation in departmental revenue this year, compared to the same time period one year ago include:

- Repayment towards the reimbursement of the Courthouse Construction Fund per the audit findings and agreement with the Administrative Office of the Courts.

The following chart shows the Capital Project Fund - Departmental Revenue for a five year period including the current fiscal year:

Capital Project Funds--Departmental Revenue Five Year Comparison



DEPARTMENTAL EXPENDITURES

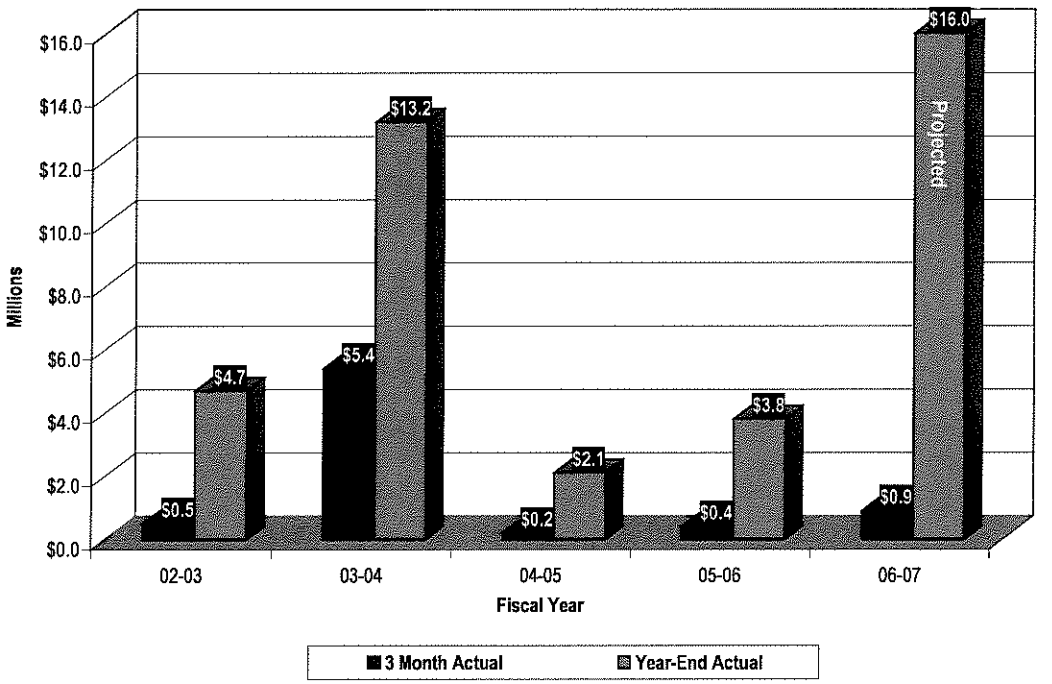
As of September 30, 2006, departmental expenditures for the Capital Project Funds are at $0.8 million compared to $0.5 million for the same time period one year ago. This amount represents 5% of the 2006-2007 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 1% to 61% of the total year expenditures.

The variation in departmental expenditures this year, compared to the same time period one year ago include:

- The Planning - Redevelopment Agency's first loan payment due on the Tax Allocation Bond sale from last fiscal year.

The following chart shows the Capital Project Fund - Departmental Expenditures for a five year period including the current fiscal year:

Capital Project Funds--Departmental Expenditure Five Year Comparison



Other Major Capital Projects

Funding for a number of other Capital Projects has been approved by the Board of Supervisors either prior to the adoption of the Final Budget or through a separate Board action, where the project and funding were allocated outside of the Final Budget process. These projects include:

- 12th Street Parking Garage and Office Building – The Stanislaus County Employees' Retirement Association (StanCERA) moved in this past summer and the District Attorney moved into their new suite of offices in October.
- Gallo Center for the Arts – this County and Central Valley Center for the Arts project is expected to be substantially completed by the end of the current calendar year with grand opening planned for 2007.
- Animal Services Facilitates – the County is currently working with George Meyers and Associates on the Needs Assessment/Master Plan.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

CHIEF EXECUTIVE OFFICE - COURTHOUSE CONSTRUCTION FUND: In the Final Budget it was stated that the State Administrative Office of the Courts had conducted an audit of the Courthouse Construction Fund and an agreement was being drafted and would be signed by the parties resolving the dispute. The draft agreement provided that the County would reimburse the Courthouse Construction Fund $2,100,000. These funds were transferred from the County General Fund Appropriations for Contingencies through the County Match budget as part of the Final Budget adoption. A draft agreement has been received with a total settlement amount of $2,117,558. It is recommended that the balance of $17,558 be transferred from the County General Fund through the County Match budget as repayment to this fund per the proposed agreement. In addition, historically budgeted revenue in this fund has only reflected what would be used during the fiscal year. An analysis of actual revenue received over the last five fiscal years has been reviewed to determine the appropriate adjustment to bring budgeted revenue in line with actual revenue that is projected to be received for this fiscal year.

> **Recommendation**: It is recommended that appropriations and estimated revenue be increased by $17,558 to reflect the transfer of funds from Appropriations for Contingencies to the County Match budget. It is also recommended to increase revenue by $440,000 from anticipated penalty assessment revenue, which will contribute to year-end fund balance.

CHIEF EXECUTIVE OFFICE - CRIMINAL JUSTICE FACILITIES FUND: Historically budgeted revenue in this fund has only reflected what would be used during the fiscal year. An analysis of actual revenue received over the last five fiscal years has been reviewed to determine the appropriate adjustment to bring budgeted revenue in line with actual revenue that is projected to be received for this fiscal year.

> **Recommendation**: It is recommended to increase estimated revenue by $230,000, which will contribute to year-end fund balance.

FUND SUMMARY

Overall, estimated revenue for the Capital Projects Fund are recommended to be increased by $670,000 for Courthouse Construction and Criminal Justice Facilities to bring their revenues up to projections for this fiscal year. Expenditures are recommended to increase $17,558 in the Courthouse Construction budget for the balance of the repayment agreement due to the audit. These funds will transfer from Appropriations from Contingencies.

The following Capital Projects Budget is not included in the Final Budget, but is recommended for adjustment at this time:

12TH STREET OFFICE BUILDING AND PARKING GARAGE CAPITAL PROJECT: The 12th Street project consists of the construction of a new parking garage and office building in downtown Modesto. The office building is a unique partnership between Stanislaus County, the Stanislaus County Employees Retirement Association (STAN CERA) and our private partner, Westland's Development Corporation. The County owns three floors of the building and the Retirement Association owns one floor and the private developer owns two floors of this multi-use and modern office building. The county space is for the Office of the District Attorney who recently moved into the new building. Three actions are recommended relative to the completion of the 12th Street Project as part of the 1st Quarter Budget review. First, a cash transfer of

$245,338 from the CEO – Plant Acquisition budget to the 12th Street Capital Project is recommended to appropriately record the expense for the land acquisition in the capital project fund. The land was purchased in Fiscal Year 2002-2003 out of the Plant Acquisition budget, and it is now appropriate to move the cost of the land into the capital project fund to accurately reflect all project costs for this effort.

Second, a budget reduction of $243,216 is recommended as part of the Master Agreement between the County and Westland Development Company, LLC. Section 4.2.8 of the Master Agreement allowed for a credit to be issued to Westland for project-related costs paid by Westland for the effort. The total of those expenses was $243,216, which needs to be credited to Westland at this time, and a subsequent budget reduction made to the project budget.

Finally, a transfer of interest earnings for the project is recommended to fund approximately $60,000 in additional costs to complete the security and building access systems installed during final completion. It is recommended that appropriations and estimated revenue be increased by $60,000. This will be funded from investment earnings (interest) of all three parties of the building and allocated based upon the agreed-upon percentage distribution.

> **Recommendation:** Approve the transfer of $245,338 of land costs from the Chief Executive Office – Plant Acquisition budget to the 12th Street Office Building and Parking Garage Capital Project. Decrease appropriations and estimated revenue by $243,216 in order to give a credit to Westland Development Company, LLC for costs incurred for the effort pursuant to the agreement. Finally, increase appropriations and estimated revenue by $60,000 for the additional funding necessary to complete the project, funded by the investment earnings (interest) of Stanislaus County, StanCERA, and Westland Development Company, LLC and costs allocated based upon a previously-agreed upon percentage distribution.

ENTERPRISE FUNDS

OVERVIEW

Enterprise Funds are set up for specific services that are funded directly by fees charged for goods or services. Examples of County Enterprise Funds include the Stanislaus Behavioral Health Center, the Health Services Agency Clinic and Ancillary Services, Sheriff – Jail Commissary/Inmate Welfare Funds the landfills and the local transit system.

The Enterprise Funds account for 9.9% of Stanislaus County's budget. The 2006-2007 Final Budget for Enterprise Funds included $89,357,832 in expenditures that were balanced by $76,778,523 in revenue, $6,225,618 in General Fund contributions through County Match, and $6,323,691 in department fund balance/retained earnings.

FUNDING SOURCE

Departmental Revenue

As of September 30, 2006, the total revenue in these budgets was $19,197,842 million compared to $24,438,129 million for the same time period one year ago. This amount represents 22.8% of the 2006-

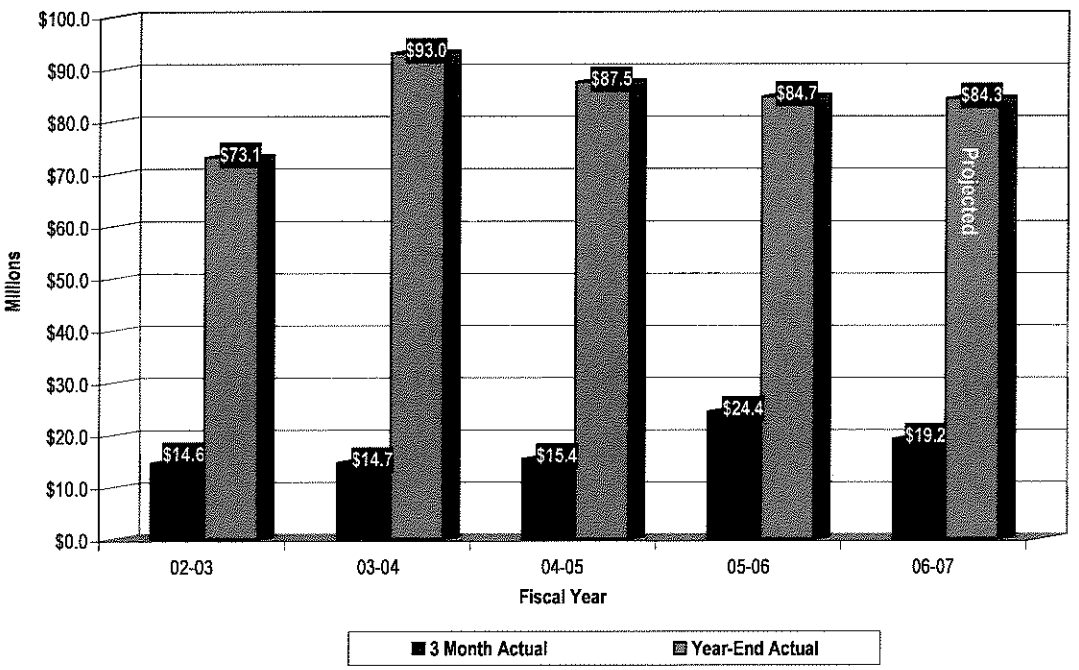
2007 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 16% to 29% of the total year collections, placing this year on track to meet budgeted estimates.

Some of the significant variations in departmental revenue this year, compared to the same time period one year ago include:

- A $523,509 decrease in the Public Works Geer Road Landfill Budget due to a delay in bidding and awarding of a contract for post closure monitoring services. The new contract is in the process of being awarded.
- A $4.1 million dollar decrease in Health Services Agency – Clinics and Ancillary Services due to a revenue increase of $3,500,000 in the 2005-2006 Final Budget for continued operation, funded from the Community Health Trust Funds.

The following chart shows the Enterprise Funds – Departmental Revenue for a five year period including the current fiscal year:

Enterprise Funds--Departmental Revenue Five Year Comparison



DEPARTMENTAL EXPENDITURES

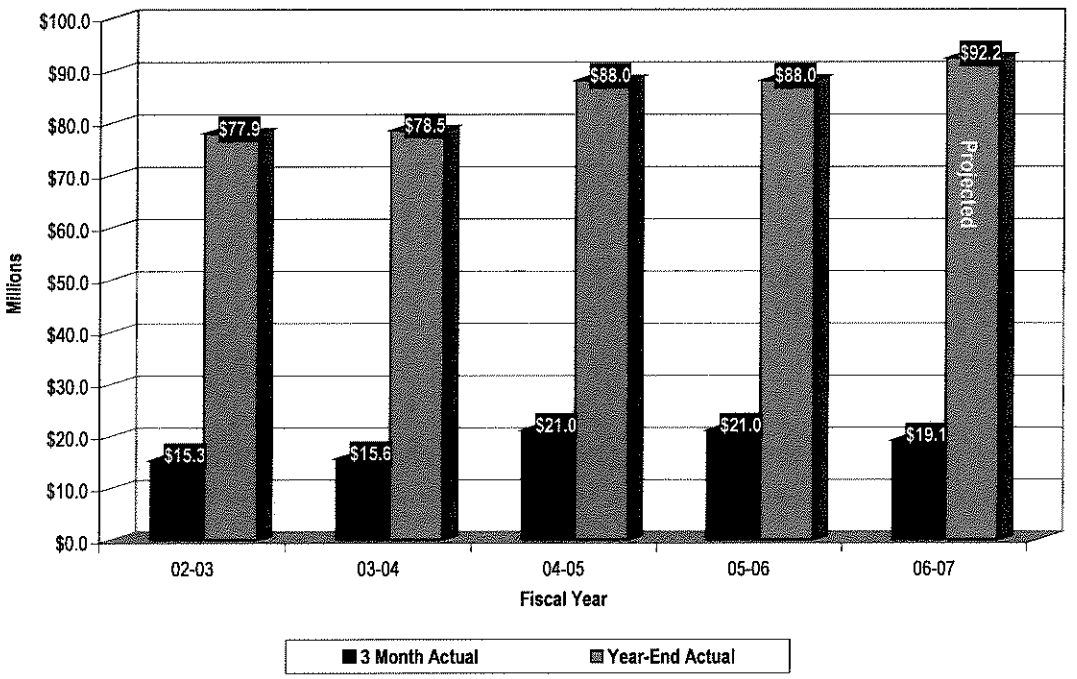
As of September 30, 2006, departmental expenditures for the Enterprise Funds are at $19,101,848 million compared to $20,960,865 million for the same time period one year ago. This amount represents 20.7% of the 2006-2007 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 16% to 29% of the total year expenditures, placing this year on track to meet budgeted estimates.

Some of the significant variations in departmental expenditures this year, compared to the same time period one year ago include:

- A $1.2 million decrease in expenditures in the Public Works Fink Road Landfill budget due to construction costs in the 2005-2006 budget.
- An approximate $1.3 million decrease in the Public Works Geer Road Landfill budget due to some required post closing maintenance of the site in the 2005-2006 Fiscal Year.

The following chart shows the Enterprise Funds - Departmental Expenditures for a five year period including the current fiscal year:

Enterprise Funds--Departmental Expenditure Five Year Comparison



FIRST QUARTER ISSUES AND RECOMMENDATIONS

BEHAVIORAL HEALTH AND RECOVERY SERVICES - Stanislaus Behavioral Health Center: In both the Proposed and Final Budgets for 2006-2007, the Behavioral Health and Recovery Services indicated an inability to fund any negotiated cost of living increases, equity increases or any other unanticipated expense, due to the structural deficit identified during 2005-2006. The Department is requesting $33,835 in appropriations to fund a 1.5% equity increase negotiated for the Clinical Services Technicians, effective July 9, 2006. The Department is also requesting $134,717 in appropriations to fund a cost of living increase negotiated by the California Nurses' Association, of which 3% was effective on September 4, 2006 and an additional 3% will become effective on November 12, 2006.

> **Recommendation:** It is recommended that appropriations and estimated revenues be increased by $168,552, funded through County Match for negotiated salary increases.

HEALTH SERVICES AGENCY - CLINICS AND ANCILLARY SERVICES: Due the Agency's strategic planning process the Department has requested its leadership structure to be studied with several changes in overall structure being recommended.

Recommended Staffing Impacts:

Total current authorized positions - 297

It is recommended to reclassify downward one Nurse Manager position to Manager IV. This position oversees the Department's Urgent Care Clinic and is currently filled at the Manager IV level. There is no fiscal impact to this recommendation.

It is recommended to add one Account Clerk III to this budget unit. Due to State Board of Pharmacy requirements, individuals utilizing the pharmacy information system must be assigned to work in the pharmacy; the current position supporting this function does not reside within the Pharmacy. The addition of an Account Clerk III position will provide the Agency with the ability to utilize the Pharmacy's accounts receivable system. The fiscal impact is approximately $31,363 for the remainder of the fiscal year. Funding for this recommendation can be absorbed in the Department's existing appropriations.

Total recommended authorized positions - 298

FUND SUMMARY

Overall, expenditures and estimated revenue for the Enterprise Funds are recommended to increase by $168,552 for Behavioral Health and Recovery Services for negotiated salary increases.

INTERNAL SERVICE FUNDS

OVERVIEW

Internal Service Funds are used for areas where goods or services are provided to other County departments or governments on a cost-reimbursement basis. Examples of Internal Service Funds are the Strategic Business Technology (SBT) and Telecommunications functions, Central Services, Fleet Services, and a variety of County self-insurance funds such as Workers' Compensation.

The Internal Service Funds account for nearly 7.9% of Stanislaus County's budget. The 2006-2007 Final Budget for Internal Service Funds included $70,518,454 in expenditures that were balanced by $68,048,750 in revenue, $300,000 in General Fund contributions through County Match, and $2,169,704 in department fund balance/retained earnings.

FUNDING SOURCE

Departmental Revenue

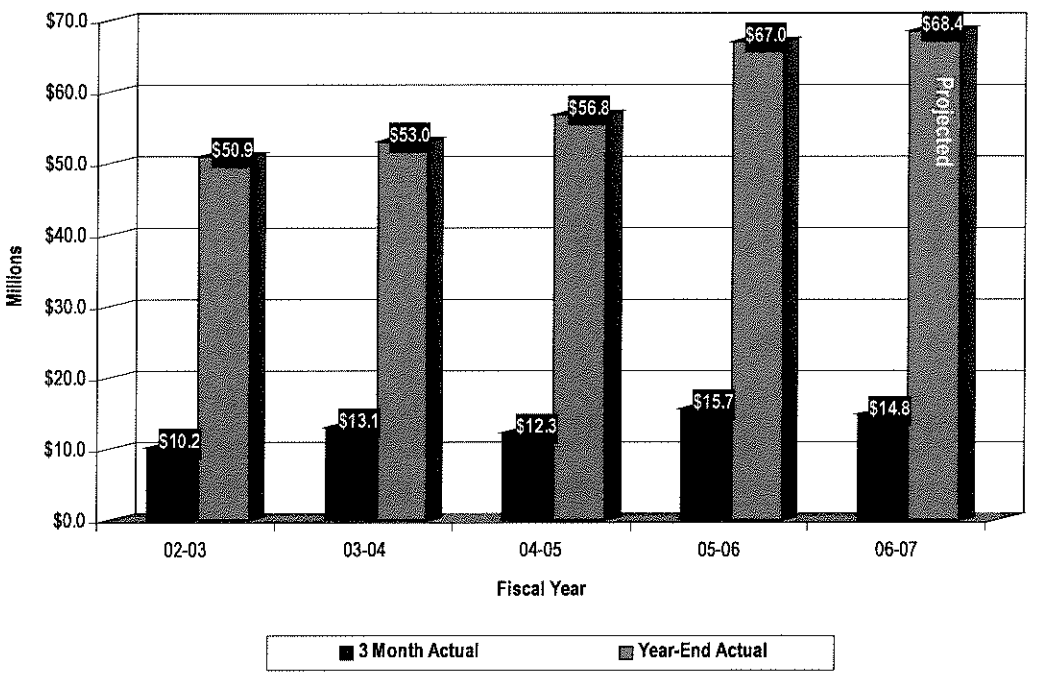
As of September 30, 2006, the total revenue in these budgets was $14.8 million compared to $15.7 million for the same time period one year ago. This amount represents 21.6% of the 2006-2007 adjusted budget.

Typically, revenue at this point in the fiscal year ranges anywhere from 19.8% to 23.7% of the total year collections, placing this year on target to meet budgeted estimates.

The primary reason for the decrease in revenue this fiscal year as compared to last fiscal year can be explained by the Workers' Compensation budget collecting nearly $1 million less this quarter. The 2006-2007 Final Budget for Workers' Compensation Self-Insurance decreased by nearly $4 million from last year, due to overall lower costs and the anticipated recovery of its retained earnings deficit.

The following chart shows the Internal Service Fund - Departmental Revenue for a five year period including the current fiscal year:

Internal Service Fund--Departmental Revenue Five Year Comparison



DEPARTMENTAL EXPENDITURES

As of September 30, 2006 departmental expenditures for the Internal Service Funds are at $15.4 million compared to $14.9 million for the same time period one year ago. This amount represents 21.3% of the 2006-2007 adjusted budget. Typically, expenditures at this point in the fiscal year range anywhere from 20.8% to 21.9% of the total year expenditures, placing this year on track to meet budgeted estimates.

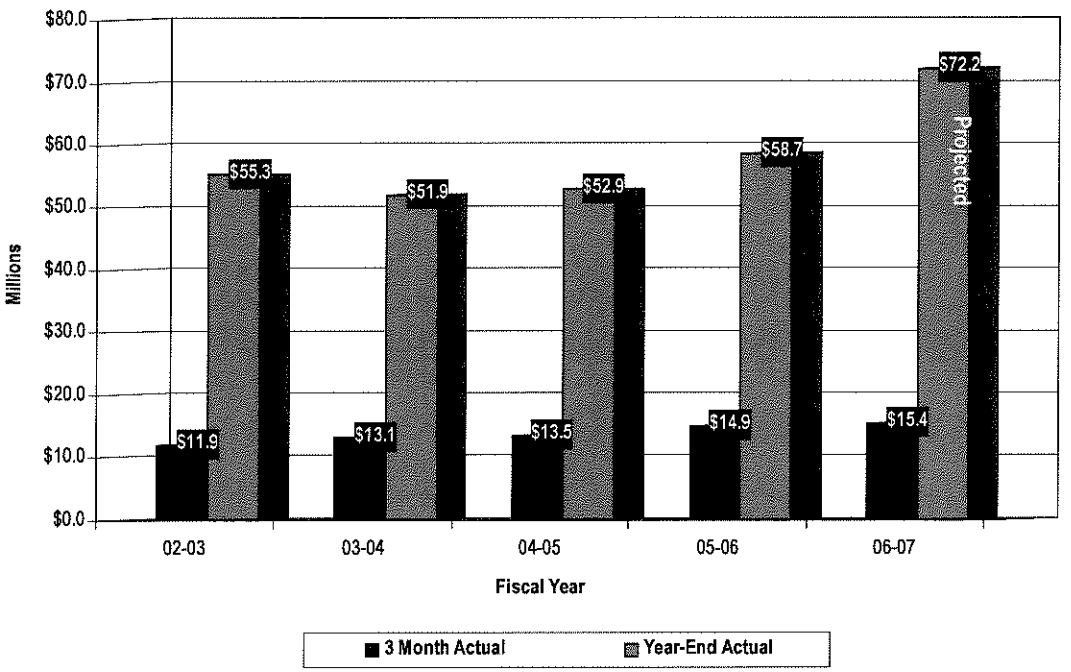
Some of the significant variations in departmental expenditures this year, compared to the same time period one year ago include:

- A $276,000 decrease in expenditures for the General Services Agency - Fleet Services Division due to decreased accident and repair costs and fuel that is now being purchased through the Public Works - Morgan Shop budget;

- An increase of nearly $100,000 in expenditures for the ICJIS budget which is attributed to increased contracts and licensing costs that were anticipated in the Final Budget;
- A nearly $300,000 increase in expenditures for the Public Works - Morgan Shop budget, reflecting departmental fuel purchases that were previously purchased through the Fleet Services Division, and a fixed asset purchase for a tree chipper vehicle;
- A $209,000 increase in expenditures for the Risk Management - General Liability budget, reflecting increased excess insurance premiums and attorney fees; and
- A $190,000 increase in expenditures for the Risk Management - Purchased Insurance budget, which reflects higher health insurance premiums than last fiscal year.

The following chart shows the Internal Service Fund – Departmental Expenditures for a five year period including the current fiscal year:

Internal Service Fund--Departmental Expenditure Five Year Comparison



FIRST QUARTER ISSUES AND RECOMMENDATIONS

GENERAL SERVICES AGENCY - CENTRAL SERVICES DIVISION: The Central Services Division ended the 2005-2006 year with $196,079 in retained earnings. The Division has identified key fixed assets needed to provide better, more efficient service to County departments, and has requested the use of retained earnings in the amount of $67,142 to purchase the following fixed assets: collator, postage meter, digital duplicator, platemaker and two used printing presses.

> **Recommendation**: It is recommended that appropriations be increased by $67,142 from departmental retained earnings, for the purchase of fixed assets to provide better service to County departments.

CHIEF EXECUTIVE OFFICE - RISK MANAGEMENT DIVISION - WORKERS' COMPENSATION SELF - INSURANCE: The 2006-2007 Final Budget anticipated the complete payoff of the negative retained earnings balance for Workers' Compensation by the end of the 2005-2006 Fiscal Year. The closeout of revenue over expenditures at year-end resulted in a positive retained earnings balance of $674,697. However, as a result of additional exposures included in the annual actuarial recommendation, an increase of $1.5 million was booked as a liability in the fund. This negatively affects retained earnings, and resulted in an ending balance of ($844,303).

FUND SUMMARY

Overall, expenditures for the Internal Service Funds are recommended to increase by $67,142, funded by $67,142 in departmental retained earnings for equipment purchases for Central Services.

LOOKING AHEAD

LOCAL ECONOMIC TRENDS

Unemployment Rate - The unemployment rate in Stanislaus County was 6.4 percent in September 2006 compared to 7.0 percent in September 2005. This compares with a seasonally adjusted unemployment rate of 4.8 percent statewide and a 4.6 percent nationally for the same month.

Jobs - Total employment for all industries in Stanislaus County increased by 3,000 jobs, from 178,500 jobs reported in September 2005 to 181,500 jobs reported in September 2006. While non-farm employment increased by 3,200 jobs, farm employment decreased by 200 jobs for the same time period. Goods produced accounted for the majority of the increase in non-farm employment, while financial activities and other services accounted for the majority of the decrease.

Affordability Index - Despite the end of the State's booming housing market, affordability has continued to worsen in most California markets. In fact, according to the National Association of Home Builders/Wells Fargo Housing Opportunity Index for the second quarter of 2006, affordability fell in 22 of the 27 California metropolitan areas surveyed. The Wells Fargo Housing Opportunity Index for a given year is defined as the share of homes sold in that area that would have been affordable to a family earning the local median income based on standard mortgage underwriting criteria. Part of the standard underwriting criteria assumes that a family can afford to spend 28 percent of its gross income on housing and that share of the median income is then divided by twelve to arrive at a monthly figure. Of note, is the First-time Buyer Housing Affordability Index reported by the California Association of Realtors (C.A.R.) at 35 for the second quarter of 2006, a decrease of 7 points from the 42 reported for the second quarter of 2005. The First-time Buyer Housing Affordability Index reported by C.A.R. assumes first-time buyers typically purchase a home equal to 85 percent of the prevailing median price.

Median Home Price - As of September 2006, the median home price in Stanislaus County was $368,000, which equates to a 1.87 percent decrease from the $375,000 price reported in September 2005.

Housing Transactions - According to the Central Valley Association of Realtors, the total number of closed sales reported by seven cities within Stanislaus County (Ceres, Modesto, Oakdale, Patterson, Riverbank, Turlock and Waterford) was down 44.02% as of September 2006 compared to the activity

reported in September 2005. In September 2005 the number of closed sales totaled 1,070 versus 599 reported for September 2006.

BUDGET SCHEDULE

The following schedule is recommended for the 2006-2007 quarterly financial reporting and the tentative schedule for the 2007-2008 Proposed Budget:

◆ February 27, 2007	Mid-Year Financial Report to the Board of Supervisors
◆ March 15, 2007	Issue 2006-2007 Proposed Budget Instructions to Departments
◆ April 16, 2007	Department Proposed Budget Submittals due to Chief Executive Office
◆ May 8, 2007	Third Quarter Financial Report to the Board of Supervisors
◆ June 1, 2007	2007-2008 Proposed Budget available to Public
◆ June 19, 20, 21, 2007	Proposed Budget Presentation and Public Hearing to the Board of Supervisors
◆ September 11, 12,13, 2007	2006-2007 Final Budget Presentation and Public Hearing to the Board of Supervisors (Tentative)

RECOMMENDED FIRST QUARTER BUDGET ADJUSTMENTS

A summary of recommended budget adjustments by budget unit follows:

DEPARTMENT BUDGET UNITS	REQUESTED EXPENDITURES	REQUESTED REVENUE	FUND BALANCE	SOURCE
Alliance WorkNet - Administration	$903,242	$903,242		Department Revenue
Alliance WorkNet - StanWorks	$2,038	$2,038		Department Revenue
Assessor	$54,131			Contingencies
Behavioral Health and Recovery Services (BHRS)	$102,029	$102,029		General Fund Match
BHRS - Alcohol and Drug Program	$755	$755		General Fund Match
BHRS - Managed Care	$19,894	$19,894		General Fund Match
BHRS - Proposition 63	$6,248	$6,248		General Fund Match
BHRS - Stanislaus Recovery Center	$24,277	$24,277		General Fund Match
Behavioral Health and Recovery Services - Stanislaus Behavioral Health Center	$168,552	$168,552		General Fund Match
Board of Supervisors - Clerk of the Board	$30,200			Contingencies
CEO - Operations and Services	$34,000			Contingencies
CEO - OES	$93,360			Contingencies
CEO - Fire Warden	$132,000	$132,000		Public Facilities Fees Revenue
CEO - Courthouse Construction Fund		$440,000		Department Revenue
CEO - Courthouse Construction Fund	$17,558	$17,558		General Fund Match
CEO - Criminal Justice Facilities Fund		$230,000		Department Revenue
CEO - General Fund/Match - BHRS	$249,968			Contingencies
CEO - General Fund/Match - BHRS	$71,787			Litigation Designation
CEO - General Fund/Match - CCF	$17,558			Contingencies
CEO - Jail Medical	$134,373			Contingencies
CEO - Plant Acquisition		$245,338		Department Revenue
CSA #10 - Salida	$15,000		$15,000	Department Fund Balance
CSA #17 - Keyes	$34,800	$24,800	$10,000	Department Fund Balance
DER	$145,160		$145,160	Department Fund Balance
DER - Haz Mat Disclosure Program	$451,500	$301,500	$150,000	Department Revenue/Fund Balance
General Services Agency - Central Services	$67,142		$67,142	Department Retained Earnings
Parks	$56,256	$19,225		Department Revenue/Contingencies
Sheriff - Administration	$102,205			Transfer from Operations
Sheriff - Operations	($102,205)			Transfer to Administration
Sheriff - Operations	$100,000			Contingencies
Sheriff - Contract Cities	$90,098	$90,098		Department Revenue
12th Street Capital Project	($183,216)	($183,216)		Department Revenue
Total	**$2,838,710**	**$2,544,338**	**$387,302**	