



## Executive Summary

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# Executive Summary

## INTRODUCTION

The Final Budget Addendum for Fiscal Year 2009-2010 outlines recommended changes to the Proposed Budget for 2009-2010 that was adopted by the Board of Supervisors on June 9, 2009. This addendum includes a review of unresolved issues and also addresses new issues that have arisen since the adoption of the Proposed Budget. It also includes updates on departmental revenue and one-time resources. The recommended Final Budget Addendum and the adopted Proposed Budget together comprise the final recommended spending plan for Fiscal Year 2009-2010. It is likely that additional adjustments and changes will be needed after the adoption of the Final Budget as a result of the State's ongoing budget crisis and the current economic downturn.

After the Public Hearing on the Stanislaus County recommended Final Budget, scheduled for September 15, 2009, and consideration of the final recommendations and actions by the Board of Supervisors, the approval of the Final Budget Addendum will provide Stanislaus County with a balanced spending plan for Fiscal Year 2009-2010.

The Proposed Budget as adopted on June 9<sup>th</sup> totaled \$955,114,155 for all funds. The recommended Final Budget for all funds in Fiscal Year 2009-2010 will increase by \$2,932,370 to a total of \$958,046,525. While the County's overall budget increased, the General Fund is recommended to decrease by \$994,576 from the adopted Proposed Budget of \$250,892,614 to \$249,898,038 in the Final Budget.

Consistent with standard accounting practices, the County's budget is accounted for in separate financial entities known as "funds". A fund is a fiscal and accounting entity with a self-balancing set of accounts segregated to carry out specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations. Governments use funds to segregate their financial resources, demonstrate legal compliance and must be classified into one of seven "fund types". The County's budget includes three "governmental funds," General, Special Revenue and Capital Projects, to account for local government activities. The County also uses two proprietary fund types that are "business-type" activities, Enterprise and Internal Service funds.

The breakdown of 2009-2010 Final Budget between funds is as follows:

<b>Fund Type</b>	<b>Total Appropriations</b>	<b>Total Revenue</b>	<b>Fund Balance &amp; One-time Funding Required</b>
<b>General</b>	\$ 249,898,038	\$ 234,579,142	\$ 15,318,896
<b>Special Revenue</b>	538,068,160	534,728,174	3,339,986
<b>Capital Projects</b>	7,514,489	8,038,672	(524,183)
<b>Enterprise</b>	81,455,466	69,758,091	11,697,375
<b>Internal Service</b>	81,110,372	72,998,824	8,111,548
<b>Total</b>	\$ 958,046,525	\$ 920,102,903	\$ 37,943,622

## **The overall Final Budget as recommended by fund is as follows:**

### **General Fund**

One of five governmental fund types, the General Fund is used to pay for core services such as public safety, parks and recreation, planning and community development, justice administration, tax assessment and collection, and a host of other vital services. The revenue used to pay for these services comes primarily from local taxes such as property tax and sales tax, franchise fees, charges for services, and a variety of other discretionary sources. Included in the General Fund is the Debt Service budget that provides funding for annual County debt obligations of approximately \$10 million. The General Fund Budget for Fiscal Year 2009-2010 is \$249,898,038, a decrease of \$994,576, from the 2009-2010 Proposed Budget. The recommended decrease in the General Fund in the Final Budget is primarily due to a decrease in revenue projected to off set costs at the Ray Simon Training Center, resulting in the reduction in the number of basic law enforcement training sessions from three to two per year and a decrease in salary and benefit expenses in the Sheriff - Administration budget resulting from a reduction-in-force of four filled positions.

### **Special Revenue Funds**

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. Special Revenue Funds account for over 56% of Stanislaus County's budget. Some of the larger special revenue funds include Behavioral Health and Recovery Services, Community Services Agency, Alliance Worknet, Child Support Services, Environmental Resources, Public Works and a variety of other grant programs. The Final Budget for Special Revenue Funds for Fiscal Year 2009-2010 is \$538,068,160, an increase of \$4,570,897, from the 2009-2010 Proposed Budget. The recommended increase in the Special Revenue fund in the Final Budget is primarily due to increases in expenditures at the Community Services Agency and Alliance Worknet. The increase in expenditures in the Community Services Agency is the result of increases in State and Federal program allocations to accommodate the 27<sup>th</sup> pay date in this Fiscal Year, and increased Temporary Assistance for Needy Families (TANF) Emergency Contingency Funds. The increase in Alliance Worknet is the result of increases in grant funding from the American Recovery and Reinvestment Act, CalGRIP, Green Job Corps, New Start and the Workforce Investment Act.

### **Capital Projects Funds**

The County's Redevelopment Agency (RDA), RDA Housing Set-Aside, the Courthouse Construction Fund, and the Criminal Justice Facilities Fund are the budgets that are currently in the Capital Projects Fund type category. This fund type is typically used to account for financial resources that are used for the acquisition or construction of major capital facilities or to provide facilities for County departments. The Final Budget for the Capital Projects Funds for Fiscal Year 2009-2010 is \$7,514,489, with no change from the 2009-2010 Proposed Budget.

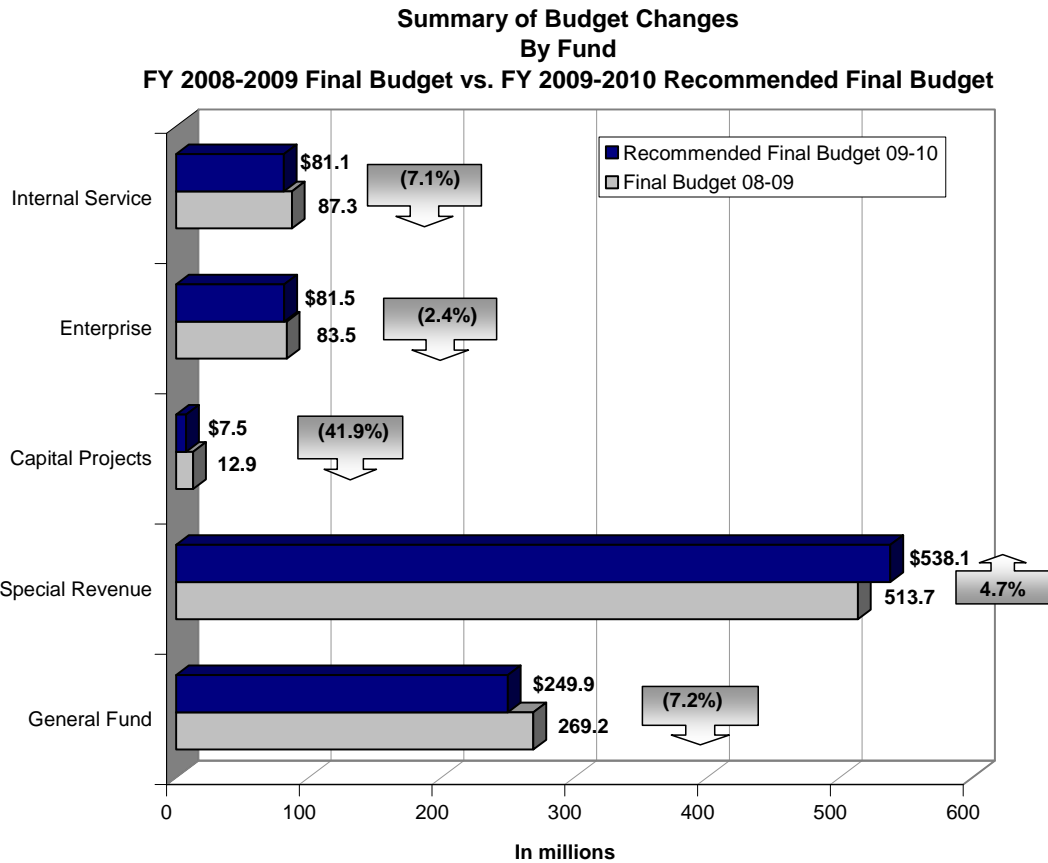
### **Enterprise Funds**

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 Health Services Agency - Clinic and Ancillary Services, the landfills and the local transit system. Combined, the Final Budget for Enterprise Funds for Fiscal Year 2009-2010 is \$81,455,466, a decrease of \$119,658, from the 2009-2010 Proposed Budget. The recommended decrease in the Enterprise Funds in the Final Budget is due to a decrease in expense for workers' compensation in the Health Services Agency - Clinic and Ancillary budget.

### **Internal Service Funds**

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 County's Strategic Business Technology Department (SBT), Central Services, Fleet Services and a variety of County self-insurance funds such as Workers' Compensation. The 2009-2010 Final Budget for

all of the Internal Service Funds is \$81,110,372, a decrease of \$524,293, from the 2009-2010 Proposed Budget. The recommended decrease in the Internal Service Funds in the Final Budget is primarily due to a decrease in the SBT – Telecommunications budget resulting from current customers moving off the County-owned telecommunication systems and a decrease in the General Services Agency – Fleet Services budget resulting from the Sheriff’s Department decrease in vehicle use.



**BUDGET OVERVIEW**

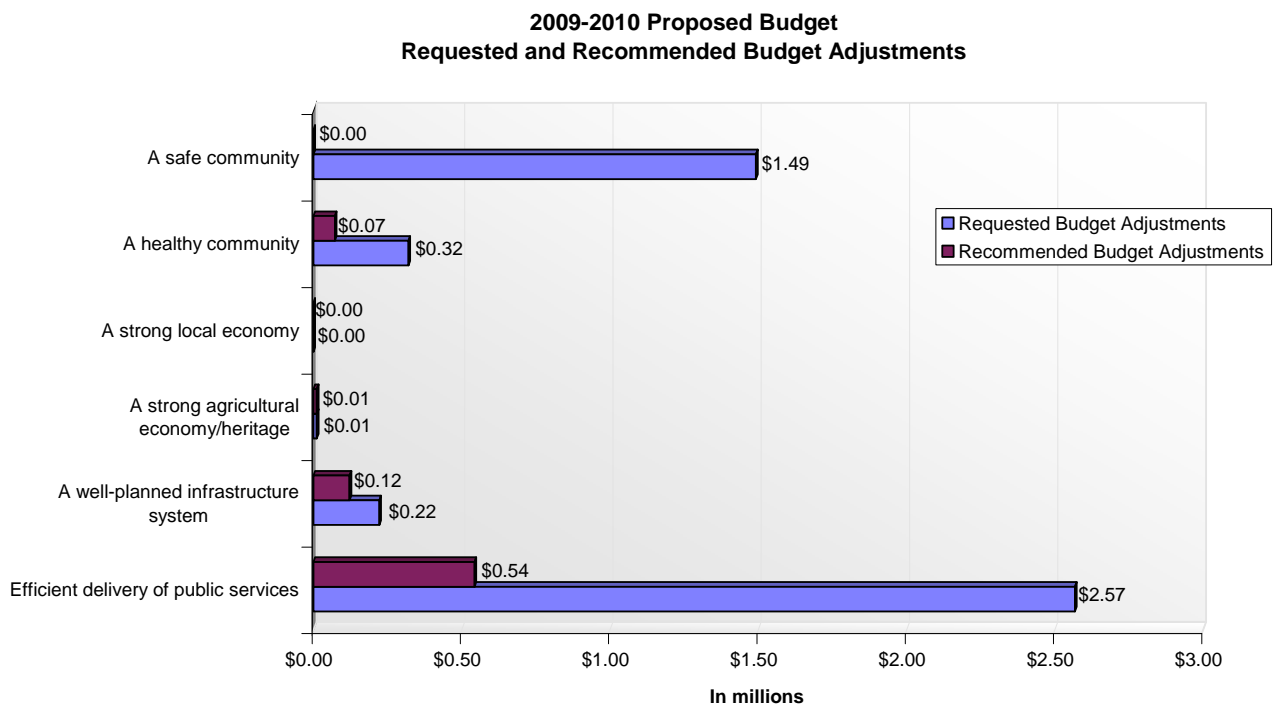
The Fiscal Year 2009-2010 Proposed Budget totaled \$955,114,155 and was balanced with department and discretionary revenue of \$913,340,248 and the use of one-time fund balance/retained earnings of \$41,773,907. The \$41,773,907 includes the use of \$5 million from the Contingency designation. The approach to the Fiscal Year 2009-2010 Proposed Budget was extremely conservative with all general operations departments plus Animal Services being issued a 12 percent reduction in net county cost and all public safety departments being issued a 5 percent reduction in net county cost in order to align expenditures with decreased discretionary revenue and anticipated State funding cuts. Included in the 2009-2010 Proposed Budget were adjustments to Departments’ base budgets for the cost increases that were previously approved by the Board of Supervisors. These adjustments included the cost of all negotiated salary and benefit increases, including equity adjustments, that were previously approved by the Board of Supervisors. These adjustments were calculated prior to the net county cost reduction being calculated.

The 2009-2010 Final Budget continues the conservative approach of the Proposed Budget and reflects limited adjustments to departmental budgets for staffing and program changes.

The total Final Budget recommended for Fiscal Year 2009-2010 is \$958,046,525, which is a .3% increase over the adopted 2009-2010 Proposed Budget of \$955,114,155. The 2009-2010 Final Budget reflects a decrease of .9% from the Fiscal Year 2008-2009 Final Budget of \$966,539,057.

**SUMMARY OF ADOPTED PROPOSED BUDGET**

The increased funding in the adopted 2009-2010 Proposed Budget was funded by the use of an estimated \$5.1 million in General Fund fund balance from Fiscal Year 2008-2009, \$3.5 million in Discretionary Fines and Fees over what was originally budgeted in 2008-2009, the use of \$5 million in designations from the Contingency designation and workers' compensation retained earnings. As part of the Proposed Budget departments identified critical unmet needs and budget adjustments. In recognition of the fiscal uncertainty facing the County, departments submitted significantly fewer requests than in previous years. Below is a summary of those requests in addition to a summary of the highlights of the adopted 2009-2010 Proposed Budget by Board Priority:



## A Safe Community – 2009-2010 Proposed Budget

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

A safe community				Recommended Resources			
Department	Appropriations			Departmental Revenue	One-time fund balance	Net County Cost	Total Recommended Resources
	Proposed Submitted Budget	Recommended Unmet Needs	Recommended Proposed Budget				
Animal Services	\$ 3,571,049	\$0	\$ 3,571,049	\$ 2,060,612	\$0	\$ 1,510,437	\$ 3,571,049
CEO-OES/Fire Warden	3,661,234	0	3,661,234	1,994,283	230,390	1,436,561	3,661,234
CEO-Capital Projects	951,152	0	951,152	1,690,000	(738,848)	0	951,152
CEO-County Operations	13,980,896	0	13,980,896	4,571,650	0	9,409,246	13,980,896
District Attorney	15,959,439	0	15,959,439	2,749,361	10,438	13,199,640	15,959,439
Grand Jury	107,722	0	107,722	0	0	107,722	107,722
Integrated County Justice Information System	540,530	0	540,530	540,530	0	0	540,530
Probation	24,342,351	0	24,342,351	7,091,402	24,511	17,226,438	24,342,351
Public Defender	9,528,660	0	9,528,660	628,992	0	8,899,668	9,528,660
Sheriff	86,106,057	0	86,106,057	24,490,426	764,310	60,851,321	86,106,057
<b>Total</b>	<b>\$ 158,749,090</b>	<b>\$ -</b>	<b>\$ 158,749,090</b>	<b>\$ 45,817,256</b>	<b>\$ 290,801</b>	<b>\$ 112,641,033</b>	<b>\$ 158,749,090</b>

## A Healthy Community – 2009-2010 Proposed Budget

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

A healthy community				Recommended Resources			
Department	Appropriations			Departmental Revenue	One-time fund balance	Net County Cost	Total Recommended Resources
	Proposed Submitted Budget	Recommended Unmet Needs	Recommended Proposed Budget				
Area Agency on Aging/ Veterans Services	\$ 3,146,914	\$21,340 Maintenance of Effort Shortfall	\$ 3,168,254	\$2,874,456	\$0	\$293,798	\$ 3,168,254
Behavioral Health and Recovery Services	66,233,692	50,772 Staffing Costs	66,284,464	66,359,761	(75,297)	0	66,284,464
Child Support Services	16,580,847	0	16,580,847	15,808,373	772,474	0	16,580,847
Children and Families Commission	11,170,270	0	11,170,270	8,219,899	2,950,371	0	11,170,270
Community Services Agency	268,876,608	0	268,876,608	268,330,522	546,086	0	268,876,608
Health Services Agency	99,574,422	0	99,574,422	99,160,720	413,702	0	99,574,422
<b>Total</b>	<b>\$ 465,582,753</b>	<b>\$ 72,112</b>	<b>\$ 465,654,865</b>	<b>\$ 460,753,731</b>	<b>\$ 4,607,336</b>	<b>\$ 293,798</b>	<b>\$ 465,654,865</b>

**A Strong Local Economy – 2009-2010 Proposed Budget**

***Alliance Worknet, CEO-Economic Development and Library***

A strong local economy				Recommended Resources			
Appropriations				Recommended Resources			
Department	Proposed Submitted Budget	Recommended Unmet Needs	Recommended Proposed Budget	Departmental Revenue	One-time fund balance	Net County Cost	Total Recommended Resources
Alliance Worknet	\$ 20,973,567	\$ 0	\$ 20,973,567	\$20,973,567	\$0	\$0	\$ 20,973,567
CEO-Economic Development Bank	0	0	0	0	0	0	0
Library	9,905,284	0	9,905,284	8,565,564	1,339,720	0	9,905,284
<b>Total</b>	<b>\$ 30,878,851</b>	<b>\$ -</b>	<b>\$ 30,878,851</b>	<b>\$ 29,539,131</b>	<b>\$ 1,339,720</b>	<b>\$ -</b>	<b>\$ 30,878,851</b>

**A Strong Agricultural Economy/Heritage – 2009-2010 Proposed Budget**

***Agricultural Commissioner and Cooperative Extension***

A strong agricultural economy/heritage				Recommended Resources			
Appropriations				Recommended Resources			
Department	Proposed Submitted Budget	Recommended Unmet Needs	Recommended Proposed Budget	Departmental Revenue	One-time fund balance	Net County Cost	Total Recommended Resources
Agricultural Commissioner	\$ 4,185,099	\$ 0	\$ 4,185,099	\$2,869,661	\$0	\$1,315,438	\$ 4,185,099
Cooperative Extension	449,128	11,284 Staffing	460,412	5,600	42,459	412,353	460,412
<b>Total</b>	<b>\$ 4,634,227</b>	<b>\$ 11,284</b>	<b>\$ 4,645,511</b>	<b>\$ 2,875,261</b>	<b>\$ 42,459</b>	<b>\$ 1,727,791</b>	<b>\$ 4,645,511</b>

**A Well-Planned Infrastructure System – 2009-2010 Proposed Budget**

***Environmental Resources, Parks and Recreation, Planning and Community Development and Public Works***

A well-planned infrastructure system				Recommended Resources			
Appropriations				Recommended Resources			
Department	Proposed Submitted Budget	Recommended Unmet Needs	Recommended Proposed Budget	Departmental Revenue	One-time fund balance	Net County Cost	Total Recommended Resources
Environmental Resources	\$ 36,037,888	\$ 0	\$ 36,037,888	\$ 24,444,222	\$ 11,593,666	\$ -	\$ 36,037,888
Parks and Recreation	4,550,836	122,000 Maintenance of Laird Park and Creation of New Empire Regional Water Training Center Budget	4,672,836	2,273,959	50,000	2,348,877	4,672,836
Planning and Community Development	23,025,765	0	23,025,765	21,082,449	705,259	1,238,057	23,025,765
Public Works	59,940,704	0	59,940,704	58,842,338	1,098,366	0	59,940,704
<b>Total</b>	<b>\$ 123,555,193</b>	<b>\$ 122,000</b>	<b>\$ 123,677,193</b>	<b>\$ 106,642,968</b>	<b>\$ 13,447,291</b>	<b>\$ 3,586,934</b>	<b>\$ 123,677,193</b>

**Efficient Delivery of Public Services – 2009-2010 Proposed Budget**

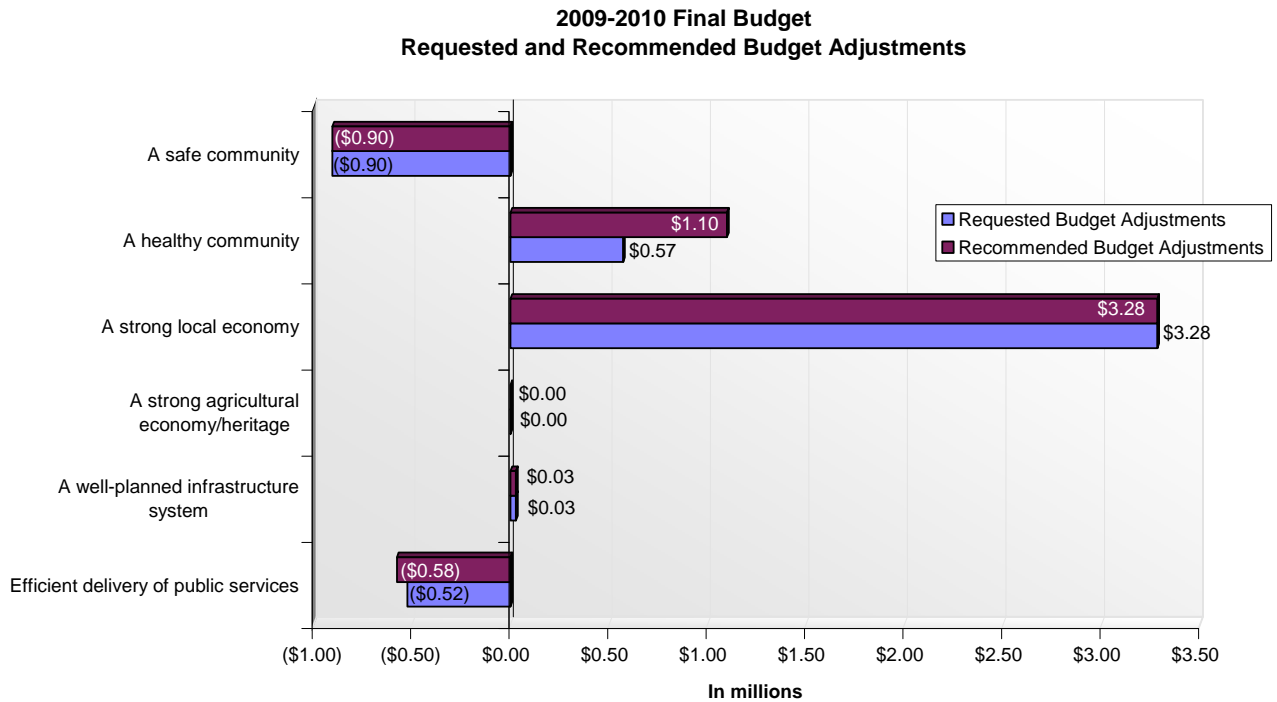
**Assessor, Auditor-Controller, Board of Supervisors, Chief Executive Office, Clerk-Recorder, County Counsel, General Services Agency, Strategic Business Technology and Treasurer-Tax Collector**

Efficient delivery of public services				Recommended Resources			
Department	Appropriations			Departmental Revenue	One-time fund balance	Net County Cost	Total Recommended Resources
	Proposed Submitted Budget	Recommended Unmet Needs	Recommended Proposed Budget				
Assessor	\$ 5,670,946		\$ 5,670,946	\$ 1,493,500	\$0	\$ 4,177,446	\$ 5,670,946
Auditor-Controller	4,344,800		4,344,800	2,761,984	0	1,582,816	4,344,800
Board of Supervisors	1,550,360		1,550,360	109,783	0	1,440,577	1,550,360
CEO-County Operations	58,516,295	299,392 Interest Earning Shortfall and HSA Reduction in County Match	58,815,687	24,310,468	0	34,505,219	58,815,687
Chief Executive Office	8,361,965	50,000 Contract Costs	8,411,965	3,550,483	0	4,861,482	8,411,965
CEO-Risk Management Self Insurance Funds	68,054,730		68,054,730	60,642,801	7,411,929	0	68,054,730
Clerk Recorder	5,119,109		5,119,109	2,884,527	426,765	1,807,817	5,119,109
County Counsel	2,452,003		2,452,003	1,147,248	0	1,304,755	2,452,003
General Services Agency	8,214,397	193,739 Increased Labor costs for Facilities Maintenance and Staffing	8,408,136	7,666,364	58,825	682,947	8,408,136
Strategic Business Technology	5,625,285		5,625,285	5,100,285	525,000	0	5,625,285
Treasurer-Tax Collector	3,055,624		3,055,624	2,025,908	0	1,029,716	3,055,624
<b>Total</b>	<b>\$ 170,965,514</b>	<b>\$ 543,131</b>	<b>\$ 171,508,645</b>	<b>\$ 111,693,351</b>	<b>\$ 8,422,519</b>	<b>\$ 51,392,775</b>	<b>\$ 171,508,645</b>

## SUMMARY OF FINAL BUDGET RECOMMENDATIONS

Overall in the Final Budget, it is recommended to use \$12,466,585 in General Fund fund balance from Fiscal Year 2008-2009, one-time funds from the Contingency designation, and retained earnings in the Workers' Compensation Self-Insurance fund. In recognition of the fiscal uncertainty facing the County, Department Heads limited requests for additional funding in the Final Budget. The recommended Final Budget for all funds in Fiscal Year 2009-2010 will increase by \$2,932,370 to a total of \$958,046,525.

Below is a summary of those requests in addition to a summary of the highlights of the recommended 2009-2010 Final Budget by Board Priority:



**A Safe Community – 2009-2010 Final Budget**

***Animal Services, CEO-OES/Fire Warden, CEO-Capital Projects, CEO-County Operations, District Attorney, Grand Jury, ICJIS, Probation, Public Defender and Sheriff***

<b>A safe community</b>							
<b>Appropriations</b>				<b>Recommended Resources</b>			
<b>Department</b>	<b>Proposed Budget</b>	<b>Recommended Adjustments</b>	<b>Total Final Budget</b>	<b>Departmental Revenue</b>	<b>One-time fund balance</b>	<b>Net County Cost</b>	<b>Total Recommended Resources</b>
Animal Services	\$ 3,571,049	\$ (66,185)	\$ 3,504,864	\$ 1,994,427	\$ -	\$ 1,510,437	\$ 3,504,864
		Decrease in Salaries					
CEO-OES/Fire Warden	3,661,234	0	3,661,234	1,994,283	230,390	1,436,561	3,661,234
CEO-Capital Projects	951,152	0	951,152	1,690,000	(738,848)	0	951,152
CEO-County Operations	13,980,896	0	13,980,896	4,571,650	0	9,409,246	13,980,896
District Attorney	15,959,439	104,219	16,063,658	2,858,425	10,438	13,194,795	16,063,658
		Increase in Grant Funding and carry forward for IT project improvements					
Grand Jury	107,722	0	107,722	0	0	107,722	107,722
Integrated County Justice Information System	540,530	0	540,530	540,530	0	0	540,530
Probation	24,342,351	88,474	24,430,825	7,179,876	24,511	17,226,438	24,430,825
		Increases in Grant Funding					
Public Defender	9,528,660	0	9,528,660	628,992	0	8,899,668	9,528,660
Sheriff	86,106,057	(1,030,557)	85,075,500	23,553,333	764,310	60,757,857	85,075,500
		Decrease Salaries and Services costs due to loss of program revenue, retirement adjustments and cost cutting measures					
<b>Total</b>	<b>\$ 158,749,090</b>	<b>\$ (904,049)</b>	<b>\$ 157,845,041</b>	<b>\$ 45,011,516</b>	<b>\$ 290,801</b>	<b>\$ 112,542,724</b>	<b>\$ 157,845,041</b>

**A Healthy Community – 2009-2010 Final Budget**

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

<b>A healthy community</b>							
<b>Appropriations</b>				<b>Recommended Resources</b>			
<b>Department</b>	<b>Proposed Budget</b>	<b>Recommended Adjustments</b>	<b>Total Final Budget</b>	<b>Departmental Revenue</b>	<b>One-time fund balance</b>	<b>Net County Cost</b>	<b>Total Recommended Resources</b>
Area Agency on Aging/Veterans' Services	\$ 3,168,254	\$ (281,837) Eliminate Linkages Program	\$ 2,886,417	\$ 2,592,619	\$ -	\$ 293,798	\$ 2,886,417
Behavioral Health and Recovery Services	66,284,464	183,326 State budget cuts and new Prop 63 funds	66,467,790	65,973,551	494,239	0	66,467,790
Child Support Services	16,580,847	(480,710) Reduced Retirement costs	16,100,137	15,812,663	287,474	0	16,100,137
Children and Families Commission	11,170,270	(350,000) Reduced Contracts	10,820,270	8,000,909	2,819,361	0	10,820,270
Community Services Agency	268,876,608	2,801,561 Increase in TANF Emergency Contingency Funds	271,678,169	270,996,391	681,778	0	271,678,169
Health Services Agency	99,574,422	(772,507) State budget cuts and revised Workers Comp estimates	98,801,915	98,388,213	413,702	0	98,801,915
<b>Total</b>	<b>\$ 465,654,865</b>	<b>\$ 1,099,833</b>	<b>\$ 466,754,698</b>	<b>\$ 461,764,346</b>	<b>\$ 4,696,554</b>	<b>\$ 293,798</b>	<b>\$ 466,754,698</b>

**A Strong Local Economy – 2009-2010 Final Budget**

**Alliance Worknet and Library**

<b>A strong local economy</b>							
<b>Appropriations</b>				<b>Recommended Resources</b>			
<b>Department</b>	<b>Proposed Budget</b>	<b>Recommended Adjustments</b>	<b>Total Final Budget</b>	<b>Departmental Revenue</b>	<b>One-time fund balance</b>	<b>Net County Contribution</b>	<b>Total Revenue</b>
Alliance Worknet	\$ 20,973,567	\$3,284,266 Increase in grant funding	\$ 24,257,833	\$24,257,833	\$ -	\$ -	\$ 24,257,833
Library	9,905,284	0	9,905,284	7,793,493	1,339,720	772,071	9,905,284
<b>Total</b>	<b>\$ 30,878,851</b>	<b>\$ 3,284,266</b>	<b>\$ 34,163,117</b>	<b>\$ 32,051,326</b>	<b>\$ 1,339,720</b>	<b>\$ 772,071</b>	<b>\$ 34,163,117</b>

**A Strong Agricultural Economy/Heritage – 2009-2010 Final Budget**

***Agricultural Commissioner and Cooperative Extension***

<b>A strong agricultural economy/heritage</b>							
<b>Appropriations</b>				<b>Recommended Resources</b>			
<b>Department</b>	<b>Proposed Budget</b>	<b>Recommended Adjustments</b>	<b>Total Final Budget</b>	<b>Departmental Revenue</b>	<b>One-time fund balance</b>	<b>Net County Contribution</b>	<b>Total Revenue</b>
Agricultural Commissioner	\$ 4,185,099	\$ -	\$ 4,185,099	\$ 2,869,661	\$ -	\$ 1,315,438	\$ 4,185,099
Cooperative Extension	460,412	0	460,412	5,600	42,459	412,353	460,412
<b>Total</b>	<b>\$ 4,645,511</b>	<b>\$0</b>	<b>\$ 4,645,511</b>	<b>\$ 2,875,261</b>	<b>\$ 42,459</b>	<b>\$ 1,727,791</b>	<b>\$ 4,645,511</b>

**A Well-Planned Infrastructure System – 2009-2010 Final Budget**

***Environmental Resources, Parks and Recreation, Planning and Community Development, and Public Works***

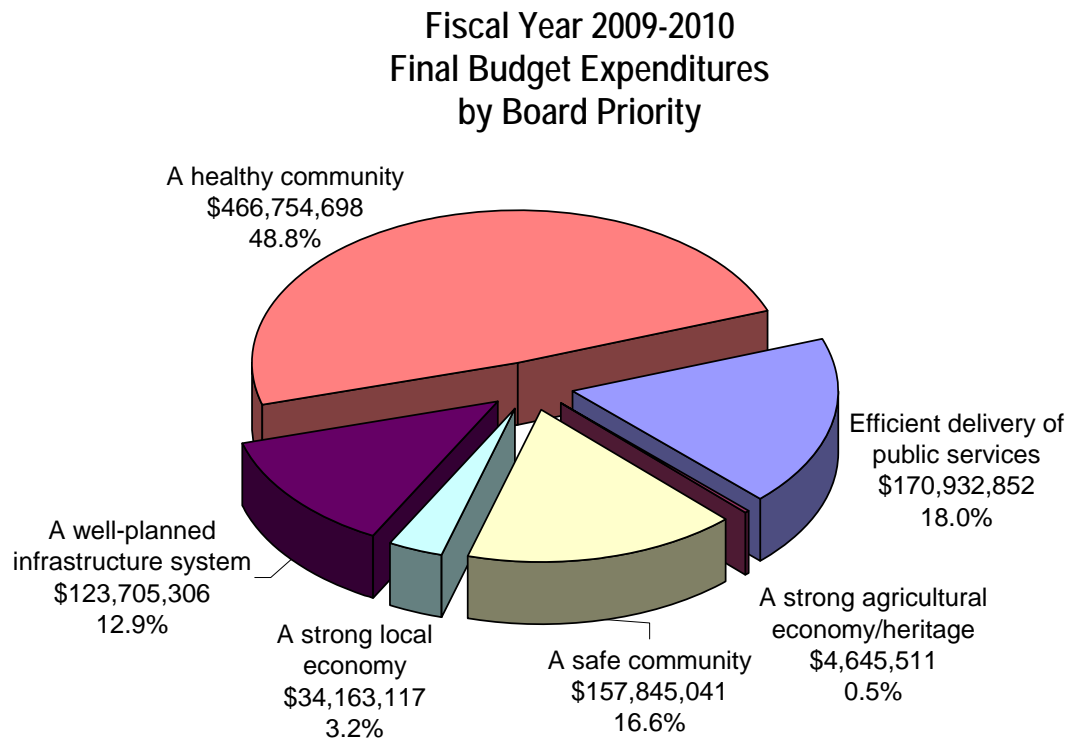
<b>A well-planned infrastructure system</b>							
<b>Appropriations</b>				<b>Recommended Resources</b>			
<b>Department</b>	<b>Proposed Budget</b>	<b>Recommended Adjustments</b>	<b>Total Final Budget</b>	<b>Departmental Revenue</b>	<b>One-time fund balance</b>	<b>Net County Contribution</b>	<b>Total Revenue</b>
Environmental Resources	\$ 36,037,888	\$ -	\$ 36,037,888	\$ 24,444,222	\$ 11,593,666	\$ -	\$ 36,037,888
Parks and Recreation	4,672,836	0	4,672,836	2,273,959	50,000	2,348,877	4,672,836
Planning and Community Development	23,025,765	28,113 Increase in grant funding	23,053,878	21,016,142	799,679	1,238,057	23,053,878
Public Works	59,940,704	0	59,940,704	64,202,338	(4,261,634)	0	59,940,704
<b>Total</b>	<b>\$ 123,677,193</b>	<b>\$ 28,113</b>	<b>\$ 123,705,306</b>	<b>\$ 111,936,661</b>	<b>\$ 8,181,711</b>	<b>\$ 3,586,934</b>	<b>\$ 123,705,306</b>

**Efficient Delivery of Public Services – 2009-2010 Final Budget**

***Auditor-Controller, Board of Supervisors, Chief Executive Office, CEO – Operations, CEO –Risk Management Self-Insurance Funds, Clerk-Recorder, County Counsel, General Services Agency, Strategic Business Technology and Treasurer-Tax Collector***

<b>Efficient delivery of public services</b>				<b>Recommended Resources</b>			
<b>Department</b>	<b>Appropriations</b>			<b>Departmental Revenue</b>	<b>One-time fund balance</b>	<b>Net County Contribution</b>	<b>Total Revenue</b>
	<b>Proposed Budget</b>	<b>Recommended Adjustments</b>	<b>Total Final Budget</b>				
Assessor	\$ 5,670,946	\$ -	\$ 5,670,946	\$ 1,493,500	\$ -	\$ 4,177,446	\$ 5,670,946
Auditor-Controller	4,344,800	0	4,344,800	2,761,984	0	1,582,816	4,344,800
Board of Supervisors	1,550,360	0	1,550,360	109,783	0	1,440,577	1,550,360
Chief Executive Office	8,411,965	32,550 Use of PFF Admin for PFF Program update	8,444,515	3,583,033	0	4,861,482	8,444,515
CEO-County Operation	58,815,687	(68,386) Reduction in HSA Deficit Reduction payment from Tobacco Securitization interest	58,747,301	24,310,468	0	34,436,833	58,747,301
CEO-Risk Management Self-Insurance Funds	68,054,730	(235,251) Reduction in Workers' Compensation charges to HSA to reflect the correct allocation of charges	67,819,479	60,806,250	7,013,229	0	67,819,479
Clerk Recorder	5,119,109	0	5,119,109	2,884,527	426,765	1,807,817	5,119,109
County Counsel	2,452,003	0	2,452,003	1,147,248	0	1,304,755	2,452,003
General Services Agency	8,408,136	(189,734) Reductions in service requests	8,218,402	7,426,968	108,487	682,947	8,218,402
Strategic Business Technology	5,625,285	(114,972) Loss of revenue due to decrease in customers	5,510,313	4,985,313	525,000	0	5,510,313
Treasurer-Tax Collector	3,055,624	0	3,055,624	2,025,908	0	1,029,716	3,055,624
<b>Total</b>	<b>\$ 171,508,645</b>	<b>\$ (575,793)</b>	<b>\$ 170,932,852</b>	<b>\$ 111,534,982</b>	<b>\$ 8,073,481</b>	<b>\$ 51,324,389</b>	<b>\$ 170,932,852</b>

A breakdown of the recommended Final Budget by Board Priority area is illustrated by the following chart:



## Funding Sources

### **Department Revenue - Proposed Budget**

The Fiscal Year 2009-2010 Proposed Budget department revenue (excluding discretionary revenue) totaled \$757,321,698. It is important to note that department revenue for budgets that are not part of the General Fund includes the County General Fund Match contribution as department revenue. This level of estimated revenue represented an overall 2.5% increase from the Fiscal Year 2008-2009 Final Budget.

This increase was attributed to several different priority areas. *A strong local economy* priority had the most significant increase, 33.03%, primarily as the result of an increase in revenue in Alliance Worknet from the American Recovery and Reinvestment Act (Stimulus) funding which will be used for increased services that will allow the Department to provide paid summer jobs to youth and job training for adults.

*A well-planned infrastructure system* saw an increase in revenue of 8.2% primarily as the result of Planning Special Grants for Neighborhood Stabilization Program funding provided through HUD's Housing and Economic Recovery Act of 2008.

*A strong agriculture economy/heritage* priority area had a 3.3% increase as the result of a slight increase in revenue from charges for services and licenses and permits at the Agricultural Commissioner's Department mainly due to the number of devices requiring inspection.

Revenue for the departments assigned to *A healthy community* had an increase of 3.1% primarily due to increased State, Federal and local revenue for the In-Home Supportive Services program, as well as significant growth in revenue due to a projected increase in caseloads for Public Assistance at the Community Services Agency. This increase was partially offset by a decline in State and Federal revenue for the Behavioral Health and Recovery Services.

A *safe community* priority area had a 4.5% decrease in revenue primarily due to Probation Juvenile Justice Crime Prevention Act reductions and the elimination of additional funding provided through Behavioral Health and Recovery Services. The Sheriff's Department had a reduction in revenue in Detention due to loss of funding in Mentally Ill Offender Crime Reduction, in Operations due to the loss of Community Oriented Policing Services (COPS)/Supplemental Law Enforcement Services Fund (SLESF) funds, County Service Area #10 (CSA #10) funds and the loss of funding for two school resource officers. There was an additional decrease in Sheriff – Jail Commissary/Inmate Welfare due to the loss in revenue from the new phone contract and a reduction in inmate purchases due to a policy change.

*Efficient delivery of public services* priority had a 7.5% decrease in revenue as the result of decreased workers' compensation charges to user departments that will be funded from retained earnings.

### **Department Revenue - Final Budget**

The Final Budget recommends a \$8,624,465 increase in departmental revenue or a 1.1% increase over the Proposed Budget.

A *strong local economy* priority will increase 11.1% as a result of funding increases in Alliance Worknet beyond estimates developed at the time of the Proposed Budget and new grant funding. The additional funding is from the American Recovery and Reinvestment Act (ARRA), CalGRIP, Green Job Corps, New Start grants, and additional Workforce Investment Act (WIA) funding.

Revenue in A *well-planned infrastructure system* priority will increase 4.9% as the result of an increase in funds in the Roads and Bridges Division of Public Works as a result of receiving all remaining Proposition 1B funds originally programmed through Fiscal Year 2011-2012.

Department revenue for A *healthy community* priority area will increase overall by .2% as the result of an increase in Federal Emergency Contingency Funds for STANWorks at the Community Services Agency and an increase in State Mental Health Services Act funding for Behavioral Health and Recovery Services.

The *Efficient delivery of public services* priority area will see a .1% decrease in revenue as a result of the General Services Agency decrease in services to user departments.

Department revenue for A *safe community* priority area will decrease by 1.7% in the Sheriff's Department due to loss of funding sources primarily from COPS/SLESF.

### **Discretionary Revenue and Year-End Fund Balance**

Revenue available to fund programs at the Board of Supervisors' discretion is referred to as discretionary revenue. The majority of this discretionary revenue supports funding for Public Safety and Criminal Justice Services for the Sheriff, Probation Department, District Attorney and Public Defender. Health and Human Services departments utilize discretionary revenue to support maintenance of effort requirements for leveraging additional revenue for Federal and State supported programs. Discretionary revenue, estimated at \$156,018,550 in the 2009-2010 Proposed Budget, is now estimated at \$154,156,740 for the Final Budget. Only two sources of revenue have been reduced to account for this \$1.86 million reduction. The Williamson Act subvention to the counties has been eliminated in the Final State Budget and the Fiscal Year 2008-2009 interest earnings posted to the Tobacco Endowment funds were under the projections stated in the Proposed Budget. Other sources of discretionary revenue will be monitored closely throughout the next six months and additional adjustments will be considered as part of the Mid-Year Budget analysis and report to the Board. Areas of particular interest are property and sales tax-related revenue and revenue received from delinquent property tax collections. The decline in property values was less than that projected at the 2009-2010 Proposed Budget and after the tax rate apportionment factors are finalized by the Auditor's Office, a possible increase in the estimated property tax revenue may be in order. Based on 2008-2009 year-end actual data, the estimates for sales tax revenue may be slightly aggressive but the success of the "Cash for Clunkers" program may result in the

original estimates being met. It is important to note that the 2009-2010 Fiscal Year, between the Proposed and Final Budget will experience an unprecedented reduction in local discretionary revenue.

It is recommended that changes be made to discretionary revenue as outlined in the following chart. Ongoing analyses will be conducted throughout the upcoming months and additional necessary adjustments will be made during the 2009-2010 Mid-Year Financial Report.

Discretionary Revenue Description	Proposed Budget FY 2009-2010	Recommended Final Budget FY 2009-2010	Difference
Property Taxes	\$ 44,061,400	\$ 44,061,400	\$ -
Property Tax in Lieu of VLF	44,852,000	44,852,000	-
Sales & Use Tax/Prop 172	48,645,000	48,645,000	-
Williamson Act subvention	1,467,000	-	(1,467,000)
Tobacco Endowment Funds	3,276,000	2,881,190	(394,810)
Other sources	13,717,150	13,717,150	-
	<b>\$ 156,018,550</b>	<b>\$ 154,156,740</b>	<b>\$ (1,861,810)</b>

The General Fund beginning fund balance for 2009-2010 of \$26 million exceeds the \$8.6 million projected to be used in the Proposed Budget. The strong balance is the result of adjustments to the designated and reserved fund balance rather than a positive position of revenue over expenditures in Fiscal Year 2008-2009. Additional designations for Teeter Plan, the State Prop 1A funding exposure and Retirement Obligation are requested in this Final Budget Addendum resulting in the availability of approximately \$12.5 million of undesignated/ unreserved fund balance for budget balancing purposes.

### Revenue Trends

Trending of potential revenue growth for future years evaluates funding for ongoing programs and the ability to support staff positions and related operational costs. This is typically a general review although the County's long range model is used to track historical revenue trends. Discretionary revenue projections have been made through Fiscal Year 2011-2012. They are reflected as follows:

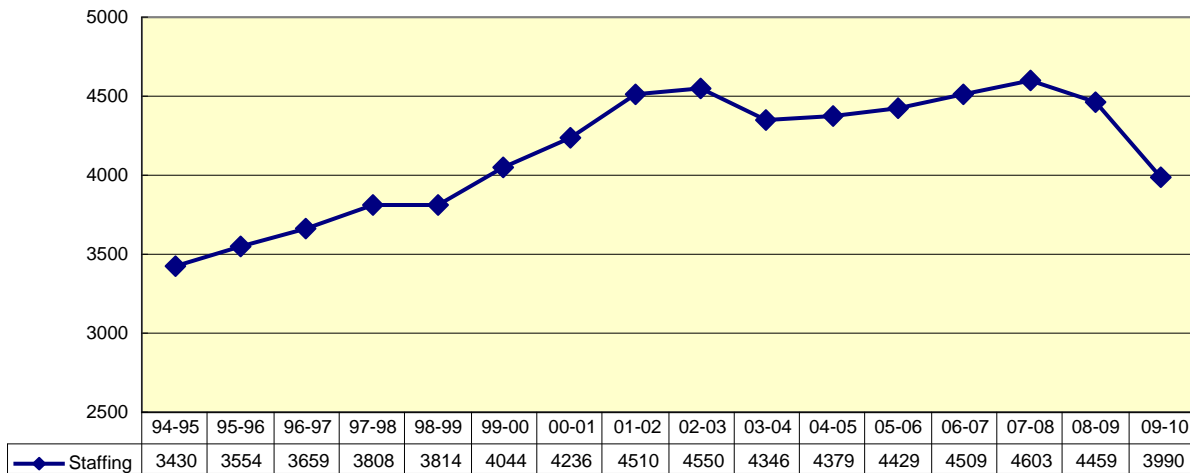
ITEM	2009-2010 Final Total	Percent Change	2010-2011 Projected Total	Percent Change	2011-2012 Projected Total	Percent Change	2012-2013 Projected Total	Percent Change
Discretionary Revenue	\$ 154,156,740	0.11%	\$ 157,405,587	2.11%	\$ 157,578,736	0.11%	\$ 163,881,885	4.00%

Departments, including the Community Services Agency, that receive specialized funds watch the Federal budget status closely since it can impact County level funding usually one year out. In Social Services programs for example, the political climate and program policy changes can vary significantly making multi-year estimates a challenge.

### STAFFING LEVELS

This Final Budget recommends unfunding twelve (12) vacant positions, funding a previously unfunded vacant position, deleting a previously unfunded position and the deletion of seven (7) allocated positions due to State and Federal funding losses. The Final Budget also recommends a total of eleven (11) position classification changes and four (4) positions were submitted for study during this current fiscal year. It is important to note that in the last two years the full-time allocated positions in the County have decreased from 4,603 in the 2007-2008 Final Budget to 3,990 in the recommended Final Budget Addendum for Fiscal Year 2009-2010.

## Stanislaus County Staffing



### **CONCLUSIONS AND ONGOING CHALLENGES**

#### State Budget Crisis Continues

On July 24, 2009, the California Legislature passed amendments to the 2009-2010 budget bill, along with implementing legislation. On July 28, 2009, the Governor signed the budget package, while vetoing \$489 million in General Fund appropriations. The budget package projects \$89.5 billion of revenue and transfers to the General Fund, and authorizes total General Fund spending of \$84.6 billion. The plan leaves the General Fund with an estimated reserve of \$500 million at the end of the 2009-2010 Fiscal Year. Furthermore, the new budget was an attempt to bridge a \$24.3 billion funding gap. The budget included \$16.1 billion in expenditure reductions that came on top of the \$15 billion in State reductions passed in February 2009.

The impact of the State Budget to Stanislaus County is still being assessed although preliminary estimates indicate a reduction of approximately \$30 million resulting from the suspension of key sources of funds to local governments (SB 90 reimbursements, Proposition 1A, CalWorks program and benefits, Redevelopment, Proposition 36, Williamson Act subventions, etc.). In addition, the budget package does not address the reimbursement to local counties for the 2009 special election. While the budget reductions seem severe, there is still great concern about the ongoing budget problems facing the State. It should not come as a surprise that if actual State revenue comes in under projection or if some cuts do not have the impacts initially projected, the State could quickly be facing billions of dollars in budget shortfall that would need to be addressed creating the potential for additional significant exposures to local government.

The State's Budget Crisis and worsening economy demand a continued conservative approach when planning for how much can be spent for county services. This recommended Final Budget leaves many questions unanswered and recommends a further decrease in discretionary revenue due to decreased Williamson Act funding and decrease in interest earned on the tobacco tax settlement funds. Several issues remain unresolved and will further unfold during the fiscal year. These will be addressed based on Board of Supervisors priorities and available funding, while maintaining a balanced and prudent spending plan.

It is likely that additional reductions, particularly in health and social service programs will be needed during the course of this fiscal year. Most state funding programs have not received the State allocations due to the late adoption of the State Budget. Many proposals for change have not yet been implemented

and are likely to impact programs provided locally like STANWorks, In-Home Supportive Services and Public Health programs, to name a few.

### Other Cost Exposures and Challenges

County government as an employer is not immune to the rising costs for certain employee-related expenses such as retirement, health insurance, unemployment insurance and labor costs. Other unexpected costs such as a change of venue case, challenges to the General Services Agency and continued threats to local discretionary revenue are all significant exposures faced in our county. Each is briefly discussed below:

#### Discretionary Revenue

The trend of decreasing discretionary revenue projections is expected to continue into future years. With the additional recommended decrease as part of the Fiscal Year 2009-2010 Final Budget, discretionary revenue will be approximately \$18.7 million less than the prior fiscal year. This is due primarily to reductions in property, sales and public safety taxes. Discretionary revenue is the most significant source of funding for public safety, criminal justice and general government programs.

#### Loss of Williamson Act Funding

While threatened for several years, the Final State Budget eliminates the "Williamson Act" reimbursement to counties for the preservation of Agricultural lands. The state has provided a reimbursement to counties for the lost property tax dollars associated with these lands being held long term in Williamson Act contracts. This loss of precious local dollars is significant, over \$1.4 million in this Final Budget Addendum, and will likely require a public policy discussion about the future of Williamson Act Contracts.

#### Retirement

On April 28, 2009, the Stanislaus County Employee Retirement Association (StanCERA) took action to mitigate proposed retirement rate increases for 2009-2010, an effort which will save budget resources throughout the County. While these actions were instrumental in lowering retirement costs in Fiscal Year 2009-2010, an even larger exposure remains with projected retirement rate increases in Fiscal Year 2010-2011, during which significant investment losses will be factored into the retirement system and will result in the potential for unprecedented rate increases to properly fund the retirement system. The County is currently in the process of releasing a Request for Proposals (RFP) for an actuarial study to value a modification of plan benefits for new members in order to identify strategies that will reduce the County's future retirement liability.

#### Change of Venue Expenses

In 2006 a highway patrol officer was shot and killed in Stanislaus County. In August of 2009 a Stanislaus County Judge ruled the individual charged in the shooting would not stand trial before a Stanislaus County jury resulting in one of two actions that are yet to be determined. The trial will either be moved to another county (change in venue) or an out-of-county jury will be brought in to Stanislaus County. It is expected that a change of venue will be ordered in this case resulting in significant costs to the County for the transport of attorneys, staff and witnesses, the guarding, keeping and transporting of the prisoner and all reasonable and necessary costs incurred by the receiving court and/or county as a result of the change of venue. While the full impact of a change in venue is unknown, there is a significant cost exposure to the County as a result of this action.

#### Health and Human Services

The Welfare and Institutions Code mandates that counties fully fund and provide general assistance to the indigent. The Community Services Agency provides cash aid payments through its General Assistance budget, and as of the 2009-2010 Proposed Budget, had an unmet need of \$223,514 for which no funding was identified. At this time, the Department has completed a review of the General Assistance

program regulations and mandates, and has identified two recommended changes to program eligibility that, if adopted, will reduce the unmet need by \$98,397. The recommended changes include a one-time reduction in the maximum grant amount to be consistent with the Temporary Assistance for Needy Families (TANF) grant benefit; and a reasonable time limit of 3 to 5 years, for individuals to receive interim assistance while attempting to qualify for Permanently Disabled Aid status. The Department is able to use departmental fund balance to fully eliminate the remaining unmet need. These policy recommendations are included in the Final Budget Addendum in order to implement the change in the context of the fiscal impact to the County General Fund.

Included in the 2009-2010 State Budget is the authorization to develop a plan to create a centralized eligibility and enrollment process for CalWORKs, Medi-Cal, and the Supplemental Nutrition Assistance Program (formerly the Food Stamp Program). The 2009-2010 State Budget permits the state "to proceed with procurement activities ... upon legislative approval of the comprehensive plan and an appropriation for this purpose." Currently, County employees determine Californians' eligibility for these programs. The 2009-2010 State Budget establishes a process to shift this responsibility to a statewide entity. If implemented, this change would likely result in a private contractor taking over eligibility processing; despite the fact that other states' privatized systems have failed.

A shift of eligibility function from County employees would have a direct impact on approximately 350-500 employees of the Community Services Agency, and additional impacts would likely occur in departments that provide internal services, such as to the Chief Executive Office, Auditor-Controller, County Counsel and the General Services Agency. The Community Services Agency and Chief Executive Office will continue to monitor the progress of this effort and will return to the Board as developments occur.

As part of the provision of mental health services, the Behavioral Health and Recovery Services on occasion places individuals into subacute psychiatric service facilities, known as Institutes of Mental Disease (IMD). At this time, about 41 Stanislaus County residents have been placed into IMDs throughout the State by the Behavioral Health and Recovery Services. As part of the 2009-2010 State Budget, some costs were excluded from Medi-Cal eligibility and the State will no longer pay for ancillary health services, including psychotropic medications, related laboratory studies and all physical health costs for individuals in IMDs. These costs are now to be borne by the placing County. As counties have not previously been responsible for these costs, the impact of this change is unknown and creates an exposure for Behavioral Health and Recovery Services and possibly the Health Services Agency.

Significant State Budget reductions in social services programs occurred in the final passage of the State Budget. Most of these cuts are targeted at direct customer services and will be implemented in stages this fiscal year:

- ◆ Group Homes and Foster Family Agencies will experience a 10% reduction in payments providing support for children in out-of-home care;
- ◆ Former Foster Youth will have less housing and/or employment support available to help in their transition to independence;
- ◆ An estimated 3,400 customers will experience reduced assistance through the In-Home Supportive Services program jeopardizing their ability to remain safely in their own homes and potentially increasing placement in residential facilities;
- ◆ Employment Services support has been significantly reduced in CalWORKs; adults with significant barriers to employment will be exempt from participation, leaving welfare-to-work options available to job ready customers only. An estimated 5,200 customers will be affected and subsidized child care for approximately 640 children will be eliminated; and
- ◆ Critical case management in Medi-Cal administration and Child Welfare Services will not be funded and prevent any expansion of services in these program areas essential to meet caseload growth.

For the most part these reductions, while significant in total dollars, are not yet materializing in additional and significant program and staffing reductions at this time. In addition, due to our own budget restrictions, we have not fully achieved matching the full state allocations for certain aid programs.

Building capacity to absorb the reductions is being achieved through the following proactive financial planning strategies:

- ◆ State/Federal allocations to Stanislaus County were not fully encumbered allowing for a surplus to partially offset the State Budget cuts;
- ◆ A hiring freeze within CSA begun over 18 months ago which allowed for the deletion of 101 vacant positions. This represents a 10.6% staffing reduction and a significant salary savings without the implementation of a reduction-in-force;
- ◆ Department-wide implementation of the maximum allowable 13 day furlough for Fiscal Year 2009-2010, generating a savings of approximately \$2.7 million; and
- ◆ Implementation of numerous cost savings ideas generated by staff throughout the department that has saved an estimated \$1.6 million in operating costs over the past two budget cycles.

### General Services Agency

The General Services Agency (GSA) provides facilities, housekeeping, purchasing, fleet services, stores inventory and copying services for County departments. With many County departments reducing expenditures in response to reduced revenue, GSA has experienced significant reductions in service requests, which has resulted in revenue reductions and multiple reductions-in-force throughout its divisions. At this time, it is recommended that a comprehensive operational and financial review of the GSA be conducted during this extended financial downturn. The Operational Audit Team will assess the range of possibilities for future operations.

Once the operational, as well as financial recommendations to ensure fiscal viability, is completed and the results are compiled, the Chief Executive Officer will return to the Board of Supervisors to provide a full report of the findings and provide recommendations.

### Unemployment Insurance

The Proposed Budget for Fiscal Year 2009-2010 included a recommendation to subsidize departmental charges for unemployment insurance with the fund's retained earnings. After a year-end review of the fund, it was identified that costs related to unemployment claims were trending higher than originally anticipated, as the result of the reduction in staffing implemented in several County departments in the 4<sup>th</sup> quarter of Fiscal Year 2008-2009. The unemployment insurance fund's retained earnings balance is not expected to be sufficient to subsidize departmental charges for the entire fiscal year. As a result, it is recommended that departments pay \$90 per employee this year, which will generate \$398,700 in revenue for this fund. It is anticipated that this revenue will allow the fund to end with a slightly positive retained earnings balance at the end of Fiscal Year 2009-2010. Even with this charge being implemented in the current fiscal year, County departments will face charges of approximately \$250 per employee in Fiscal Year 2010-2011.

### Employee Health Insurance

The cost for employee health insurance continues to rise well above normal inflation for Stanislaus County, as well as other local public and private employers. County staff is currently working to evaluate alternative health insurance funding and plan designs in an effort to minimize anticipated cost increases in January 2010. The County is currently in the process of negotiating a health agreement with all of the County labor groups and expects to have an agreement in place in time for open enrollment in fall of 2009 effective January 1, 2010, for the last half of the fiscal year.

### Capital Projects

Stanislaus County has several significant capital projects efforts underway which require planning, coordination, implementation, and financing. In addition, the new Capital Improvement Plan (CIP) is currently being reviewed by the Stanislaus County Planning Commission to ensure consistency with the County's General Plan. The new Capital Improvement Plan has also been coordinated with the Public Facility Fee update now underway. It is essential to coordinate capital improvement planning and project

delivery as part of our overall fiscal management to ensure that debt capacity is evaluated as part of, the annual budget process, and coordinated with the CIP preparation.

The major projects underway in various stages of planning, design or construction include: the construction of a new Regional Animal Services Facility, design of a new 60 bed Juvenile Commitment Facility using up to \$18 million in funding from an award from the State of California, the planning, programming and initial design of the Public Safety Center Expansion Project, and several smaller projects such as the Honor Farm Wastewater Treatment Facility Upgrades, Honor Farm Barracks 4 Replacement, and various improvements in the planning stages for the Salida Library, the Community Services Facility and other county locations. Each individual project comes before the Board of Supervisors for each major step in its development through completion. Chief Executive Office staff are responsible for Capital Projects leadership working with departments and communities to ensure successful project delivery.

### Labor Negotiations

Multi-year agreements with several County public safety employee groups will expire during Fiscal Year 2009-2010, including Sworn and Custodial Deputy Sheriffs, Sheriff Supervisors and District Attorney Investigators. The County is currently participating in negotiations with the Stanislaus Sworn Deputy Association and the Sheriff Supervisor Association. Public Safety is primarily funded through the County's General Fund and growth in property taxes and Prop 172 Public Safety sales tax. Maintaining appropriate compensation for critical safety services will remain a challenge as the County experiences limited or negative growth in the revenue sources supporting public safety programs.

### **Next Steps**

The Stanislaus County Board of Supervisors will conduct the Final Budget hearing on September 15, 2009 at 6:35 p.m., and September 16<sup>th</sup> and 17<sup>th</sup> if necessary. After that, the Final Budget Addendum will be incorporated into a full budget document to be the Final Budget for Fiscal Year 2009-2010. Given the uncertainty of the State's budget crisis and instability of the economy, it is likely that additional changes will be needed later into the current fiscal year. This will be addressed as appropriate through the quarterly financial reporting on the budget or through separate agenda items to the Board, as needed.

The County's budget can be found on the county's web <http://www.stancounty.com/budget>.