



Executive Summary

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INTRODUCTION

The Adopted Proposed Budget for Fiscal Year 2015-2016 was approved by the Board of Supervisors on June 9, 2015. The Recommended Final Budget incorporates recommended changes to the Adopted Proposed Budget as a result of State Budget actions, updated revenue estimates, and the year-end closing of the County's financial books and provides Stanislaus County with a balanced spending plan for Fiscal Year 2015-2016. Additional adjustments to the County's budget are routinely made as needed during the year as part of quarterly financial reports presented to the Board, or as separate Board agenda items.

The Adopted Proposed Budget as approved on June 9, 2015 totaled \$ 1,081,877,464 for all funds. The Recommended Final Budget for all funds in Fiscal Year 2015-2016 increased by \$15,404,449 for a total of \$1,097,281,913. Specifically, increases in appropriations occurred in the following funds: General Fund by \$14,236,754, Special Revenue by \$932,195, and Internal Service Funds by \$235,500.

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

The breakdown of the 2015-2016 Recommended Final Budget between funds is as follows:

Summary of Recommended Final Budget by Fund

Fund Type	Total Recommended Appropriations	Total Recommended Revenue	Fund Balance & One-Time Funding Required
General	\$ 278,921,910	\$ 259,657,626	\$ 19,264,284
Special Revenue	648,779,448	632,520,977	16,258,471
Capital Projects	1,540,510	1,006,000	534,510
Enterprise	72,492,549	65,069,075	7,423,474
Internal Service	95,547,496	93,866,308	1,681,188
Total	\$ 1,097,281,913	\$ 1,052,119,986	\$ 45,161,927

RECOMMENDED FINAL BUDGET BY FUND

General Fund

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 \$12.1 million. The Recommended Final Budget for the General Fund for Fiscal Year 2015-2016 is \$278,921,910, an increase of \$7,838,266 from the 2014-2015 Adopted Final Budget of \$271,083,644, and an increase of \$14,236,754 above the 2015-2016 Adopted Proposed Budget of \$264,685,156.

The recommended increase in the General Fund at Final Budget from the Fiscal Year 2014-2015 Final Budget includes base funding adjustments, department requests as supported by the Chief Executive Office which are identified as recommended adjustments in the Schedule 9's, and net county cost savings.

General Fund Departments received a Fiscal Year 2015-2016 issued base budget adjusted to the equivalent of the Funded Service Level cost of all current programs and allocated positions as approved by the Board of Supervisors.

The recommended increase in the General Fund at Final Budget from Adopted Proposed Budget is due to several factors and includes increased funding for Area Agency on Aging – Veteran Services from the State Department of Veteran Affairs; Agricultural Commissioner due to an agreement with the California Department of Food and Ag; Alliance Worknet due to increased State allocations; Behavioral Health and Recovery Services for Managed Care and Stanislaus Recovery Center; Chief Executive Office for an increase in Appropriations for Contingencies, increase in Contributions to Other Programs for Sheriff – Court Security, LAFCO and Department of Environmental Resources, increase in the Economic Development Bank for Emergency Domestic Water Well Financial Assistance Program, increase in County Court Funding, County Facilities, Debt Service and Community Development; District Attorney for ID/Proxy Card system and equipment for the Arson Task Force; Environmental Resources due to the Code Enforcement Restoration and an increase in the Used Oil Recycling for the Filter Exchange program; General Services Agency – Facilities Maintenance for the CAMS Software Installation of mobile application; Health Services Agency to transfer funds; Library due to revenue decrease; Office of Emergency Services for the partial cost of a Lieutenant; Probation for the Day Reporting Center costs and Juvenile Accountability Block Grant; Public Defender for an Administrative Clerk II; Strategic Business Technologies to purchase and implement a Digital Video Recording Security Surveillance System for Probation; and the Sheriff's Department for an increase in services and equipment.

Additionally, departments in the Phase I Net County Cost Carryover Savings Program that achieved savings in appropriations were able to carry forward 100% of their unused net county cost savings balance from prior fiscal years through Fiscal Year 2013-2014 and 75% of their 2014-2015 net county cost savings. All adjustments are included as part of the Recommended Final Budget. As a result, the Agricultural Commissioner, Auditor-Controller, Board of Supervisors, Chief Executive Office, Planning and Community Development, Public Defender, and Treasurer-Tax Collector are receiving increases in appropriations totaling \$5,328,266 to reflect their net county cost savings in Fiscal Year 2014-2015 and prior years.

Many of the departments are using savings for health increases, salary costs and increased salary costs. Departments are also strategically setting aside funds for increases in operational costs in 2015-2016 and beyond; including further anticipated increases in salary and retirement charges. For Fiscal Year 2015-2016, the net county cost savings program is recommended to remain the same for those departments who have not received any General Fund contributions to their budget. This will allow departments to carry over 75% of any year-end savings from the 2015-2016 Fiscal Year.

Fiscal Year 2015-2016 is the first year of the Phase II Strategic Savings Program. Departments that have received an additional General Fund contribution may participate in the Strategic Savings Program (Phase II Net County Cost Savings Program). This program focuses on improved business efficiencies and department led efforts to improve departmental revenue, and allows departments to carry forward up to 50% of year-end net county cost savings. The Parks and Recreation Department increased departmental revenue through implementation of the first annual Easter Egg Hunt at Modesto Reservoir in an effort to promote attendance and utilization of County parks. As a result, the Department it is recommended to increase appropriations by \$12,673 to reflect the carry forward of net county cost savings earned in the prior year.

The following chart shows departments that are receiving net county cost savings, both Phase I and Phase II, in the Fiscal Year 2015-2016 Final Budget, totaling \$5,340,939.

Departments	Net County Cost Savings into 2015-2016
Agricultural Commissioner	\$ 1,300,473
Auditor-Controller	\$ 213,665
Board of Supervisors	\$ 144,580
Chief Executive Office - OES/Fire Warden	\$ 358,126
Chief Executive Office - Operations and Services	\$ 1,975,341
Chief Executive Office - Risk Management Division	\$ 242,770
Parks and Recreation	\$ 12,673
Planning and Community Development	\$ 381,053
Public Defender	\$ 128,714
Treasurer-Admin/Taxes	\$ 583,544
Total	\$ 5,340,939

Budgets within the General Fund are recommended to be funded by \$80,855,835 in department revenue and \$178,801,791 in discretionary revenue. The General Fund relies on the use of \$19,264,284 in fund balance bringing total funding sources for the General Fund to \$278,921,910.

Discretionary revenue is revenue available to the Board of Supervisors to fund programs as they choose. The majority of discretionary revenue supports funding for public safety and criminal justice services for the Sheriff, Probation Department, District Attorney and Public Defender, as well as government-related services such as the Chief Executive Office, Assessor and the Agricultural Commissioner. Health and Human Services departments use discretionary revenue to support maintenance of effort requirements to obtain additional revenue for Federal and State supported programs.

Discretionary revenue, established at \$178,801,791 in the 2015-2016 Adopted Proposed Budget remains unchanged in the Recommended Final Budget. This is an increase of \$9.8 million from the 2014-2015 Adopted Final Budget, which is primarily attributed to significant increases in property tax, property tax in-lieu of vehicle license fee and modest increase in sales related tax revenues. Property tax revenue in Fiscal Year 2014-2015 increased by 12% from prior year actual and represented the second year of solid growth after five years of decline, from Fiscal Years 2007-2008 through 2012-2013. Continued steady recovery in the residential real estate market is anticipated for Fiscal Year 2015-2016. The Assessor announcement of an increase of 6.75% in the Assessment Roll total of Stanislaus County reflects this trend.

The Public Safety Sales Tax is apportioned to each county based on the county's proportionate share of statewide taxable sales. Sales volume in Stanislaus County on which the 2015-2016 revenue will be based on indicates that the County's portion of the State sales tax pool will be down slightly. The actual pool rate will be announced by the State in March 2016 at the earliest. The Recommended Final Budget estimate of \$40.5 million for this revenue source reflects a cautiously optimistic estimate in view of modest statewide growth estimates provide by the State and the projected decrease in the County pool rate. The budgeted 2015-2016 revenue represents 0.5% increase from the 2014-2015 actual revenue of \$40.9 million after deduction of one-time funds of \$619,000 for the State Board of Equalization correction on statewide allocations of prior fiscal periods. When compared to the 2014-2015 Adopted Final Budget the 2015-2016 budget increase in this revenue is approximately 6%.

Ongoing analysis will be conducted throughout the upcoming months and any necessary adjustments will be included in the 2015-2016 Mid-Year Financial Report to the Board after six months of actual posting of discretionary revenue in this fiscal year.

Discretionary Revenue Description	Fiscal Year 2013-2014 Actuals	Fiscal Year 2014-2015 Actuals	Adopted 2015-2016 Proposed Budget	Recommended 2015-2016 Final Budget
Taxes	\$ 110,690,985	\$ 121,567,936	\$ 126,319,000	\$ 126,319,000
Licenses, Permits & Franchises	1,090,043	1,214,023	1,200,000	1,200,000
Fines, Forfeitures & Penalties	5,410,759	4,655,637	2,500,000	2,500,000
Revenue from Use of Money	2,135,875	1,733,978	1,902,877	1,842,944
Intergovernmental Revenue	39,815,816	48,592,259	42,102,000	42,102,000
Charges for Services	1,969,547	2,089,502	1,574,002	1,574,002
Miscellaneous Revenues	57,116	353,392	-	-
Other Financing Sources	3,170,341	3,390,958	3,203,912	3,263,845
Total	\$ 164,340,482	\$ 183,597,685	\$ 178,801,791	\$ 178,801,791

The 2015-2016 Recommended Final Budget assumes the use of \$13.9 million of unassigned fund balance to balance the General Fund budget. In addition, \$5.3 million from assigned fund balance is recommended to fund the net county cost savings program.

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 half 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 Recommended Final Budget for Special Revenue Funds for Fiscal Year 2015-2016 is \$648,779,448, an increase of \$5,470,839, from the 2014-2015 Adopted Final Budget of \$643,308,609.

The increase in Special Revenue Funds is primarily the result of increased Federal and State allocations for mental health services, Medi-Cal expansion since the implementation of the Affordable Care Act in January 2014, and horizontal integration across public assistance programs in Behavioral Health and Recovery Services and the Community Services Agency.

Budgets within the Special Revenue Funds are funded by \$616,121,411 in department revenue, \$16,258,471 in departmental fund balance, and a \$16,399,566 General Fund contribution. The Special Revenue Funds began Fiscal Year 2014-2015 with \$202,992,708 in fund balances and ended the year with a total fund balance of \$217,227,274.

Capital Projects Funds

The Courthouse Construction Fund and the Criminal Justice Facilities Fund are the two remaining 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 Recommended Final Budget for Capital Projects Funds for Fiscal Year 2015-2016 is \$1,540,510, no change from the 2015-2016 Adopted Proposed Budget and an increase of \$325,000 over the 2014-2015 Adopted Final Budget, due to increased lease obligations in the Chief Executive Office – Courthouse Construction Fund, for the civil court space located on the 4th and 6th Floors at 801 Tenth Street. According to the lease agreement, Fiscal Year 2015-2016 will be the first fiscal year that rent will be charged for the 6th floor for the full annual amount. This represents a \$292,000 increase. Additionally, rent for the 4th floor has increased by \$33,000.

Budgets within Capital Projects Funds are funded by \$1,006,000 in department revenue and \$534,510 of retained earnings. The Capital Project Funds began the fiscal year with \$5,307,807 in fund balances and are projected to end the year with fund balances of \$4,773,297.

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 - Clinics and Ancillary Services, the landfills and the local transit system. The Recommended Final Budget for Enterprise Funds for Fiscal Year 2015-2016 is \$72,492,549 no change from the 2015-2016 Adopted Proposed Budget and a decrease of \$6,707,270 from the 2014-2015 Adopted Final Budget. This decrease is the result of a one-time payment of \$15 million, made in 2014-2015 in General Fund contribution to the Health Services Agency's Clinics and Ancillary Services, to accelerate payment of the long-term debt incurred by the Agency through the closure of the former County hospital and the Federal recoupment of funding from the former Stanislaus Family Medicine Residency program. In addition, this decrease is offset by increases in the Environmental Resources – Fink Road Landfill and the Public Works – Local Transit System.

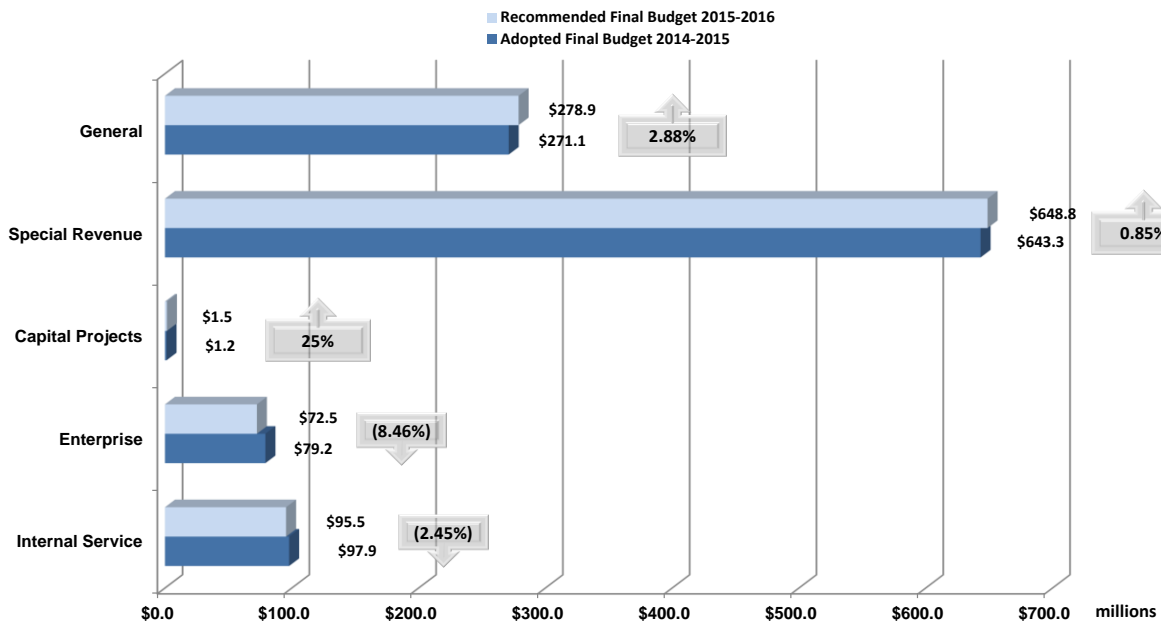
Budgets within the Enterprise Funds are funded by \$60,549,637 in department revenue and a \$4,519,438 contribution from the General Fund. The Enterprise Funds also rely on \$7,423,474 of prior year retained earnings bringing total funding sources for the funds to \$72,492,549. The Enterprise Funds began the fiscal year with \$54,239,917 in retained earnings and are projected to end the year with retained earnings of \$46,816,443.

Internal Service Funds

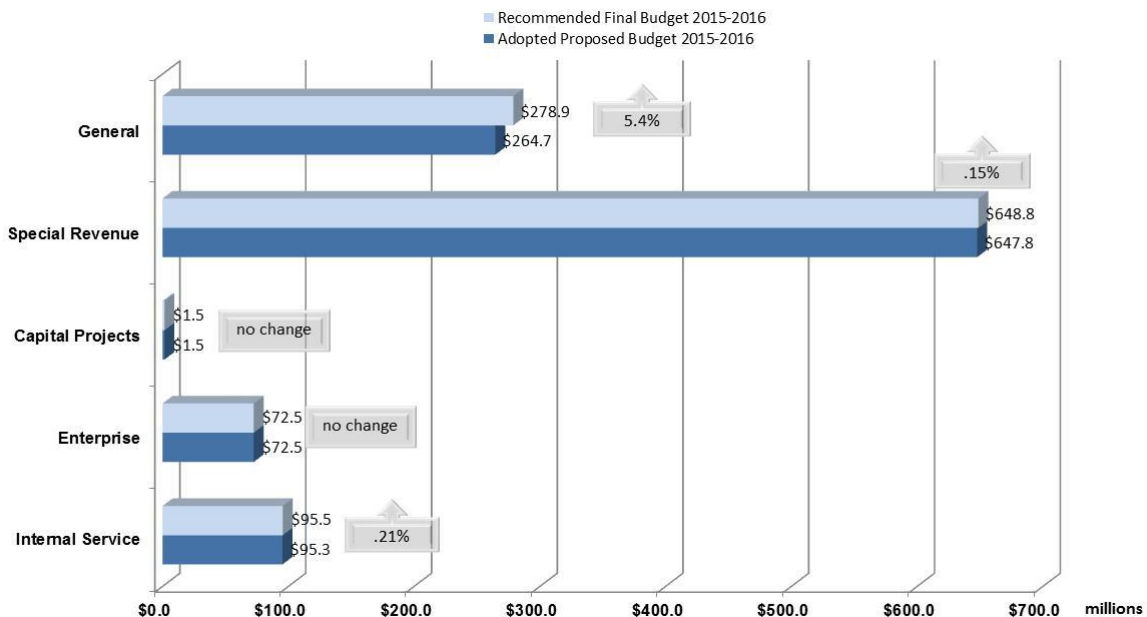
Internal Service Funds are used for areas where goods or services are provided to other County departments or governments on a cost-reimbursement basis. Examples of Internal Service Funds are Strategic Business Technology (SBT), General Services Agency Central Services and Fleet Services and a variety of County self-insurance funds. The 2015-2016 Recommended Final Budget for Internal Service Funds is \$95,547,496, a decrease of \$2,303,033 from the 2014-2015 Adopted Final Budget of \$97,850,529. The decrease is mostly attributed to the Medical Self-Insurance budget which implemented cost containment changes to the medical insurance plan, including changes to the medical insurance plan configuration and a reduction in the number of health plans offered to participants. This large decrease was mostly offset by increases in the General Services Agency – Facilities Maintenance Division, CEO Risk Management Dental Self-Insurance, CEO Risk Management – General Liability and Strategic Business Technology. The 2015-2016 Recommended Final Budget is an increase of \$235,500 above the 2015-2016 Adopted Proposed Budget of \$95,311,996. This increase is due to new software for improved business efficiencies at General Services Agency and Strategic Business Technology.

Budgets within Internal Service Funds are funded by \$93,866,308 in department revenue and \$1,681,188 of retained earnings bringing total funding sources for the fund to \$95,547,496. The Internal Service Funds began the fiscal year with \$22,729,698 in retained earnings and are projected to end the year with retained earnings of \$21,048,510.

Summary of Final Budget Appropriation Changes by Fund – From Adopted Final Budget 2014-2015



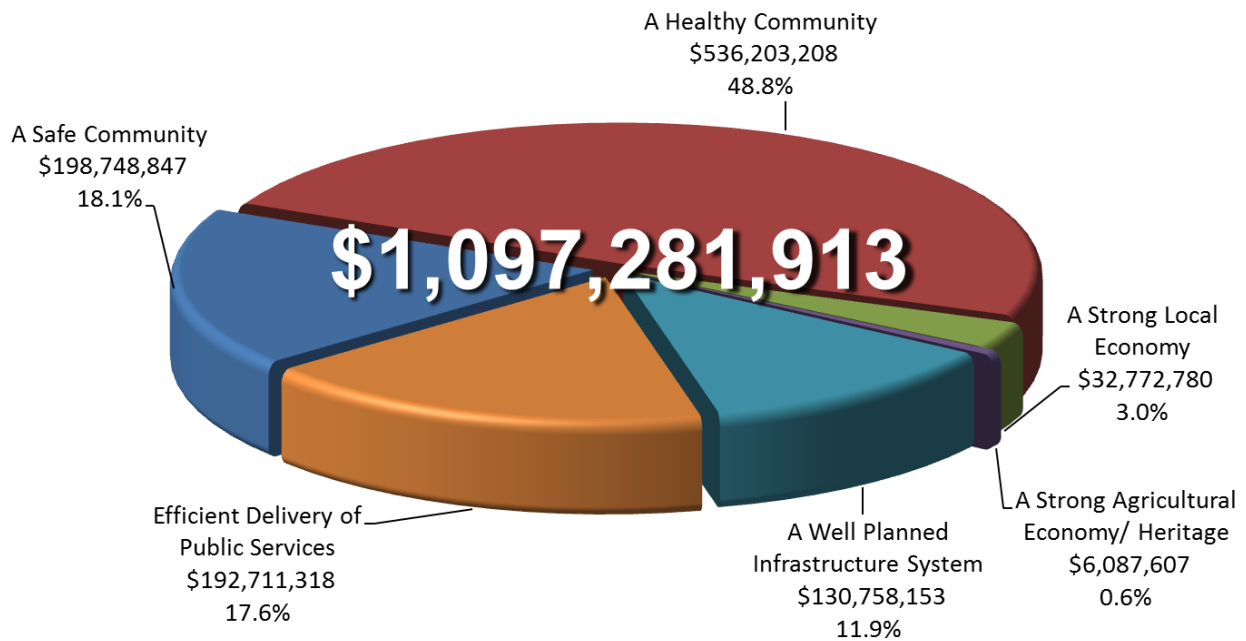
Summary of Final Budget Appropriation Changes by Fund – From Adopted Proposed Budget 2015-2016



RECOMMENDED FINAL BUDGET BY PRIORITY

Below is a summary of the Recommended Final Budget by Board Priority Area. Detailed descriptions and recommendations can be found later in the document in their respective priority area. A breakdown of the Recommended Final Budget is illustrated by the following two charts.

Fiscal Year 2015-2016 Recommended Final Budget Appropriations by Board Priority



Summary of the Recommended Final Budget by Board Priority

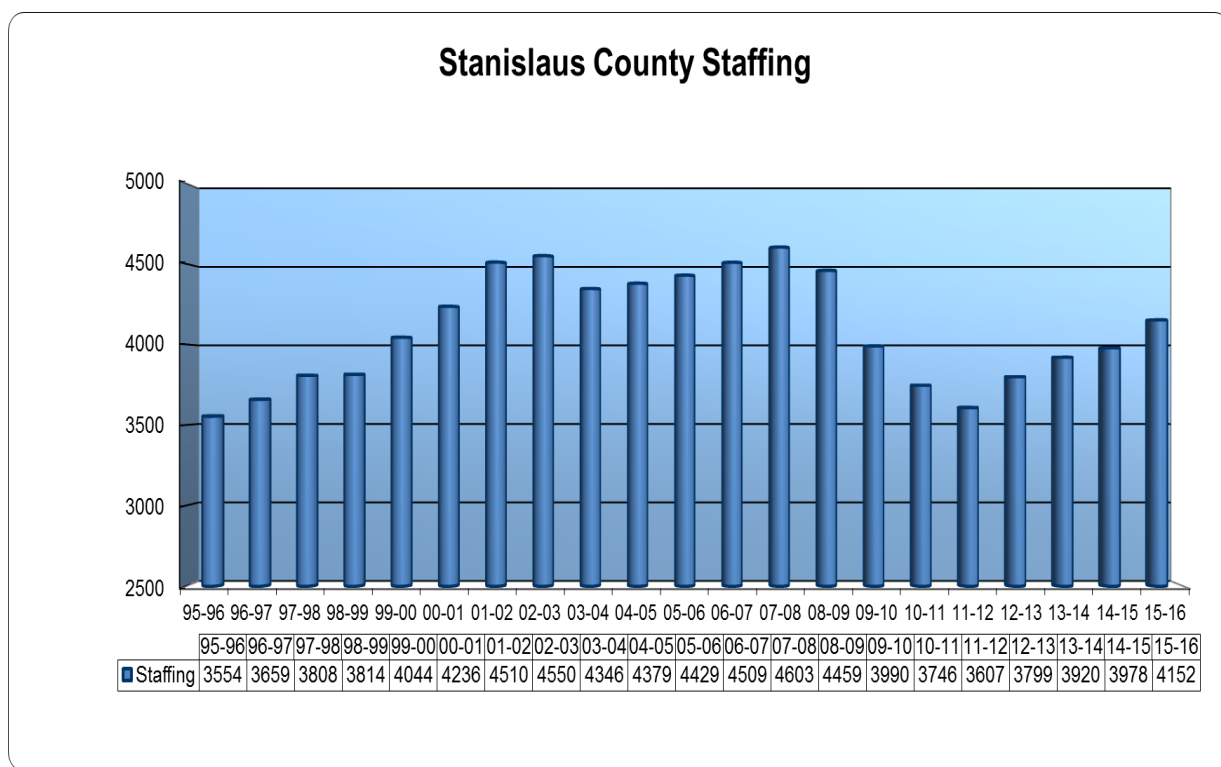
RESOURCES	A Safe Community	A Healthy Community	A Strong Local Economy	A Strong Agricultural Economy/ Heritage	A Well Planned Infrastructure System	Efficient Delivery of Public Services	2015-2016 Recommended Final Budget
Department Revenue	\$ 72,110,053	\$ 511,377,604	\$ 29,573,820	\$ 3,391,898	\$ 111,534,153	\$ 124,411,663	\$ 852,399,191
Department Fund Balance/ Retained Earnings	\$ 3,736,855	\$ 5,503,685	\$ 1,207,150	\$ 16,239	\$ 14,630,371	\$ 803,343	\$ 25,897,643
Net County Cost	\$ 122,901,939	\$ 19,321,919	\$ 1,991,810	\$ 2,679,470	\$ 4,593,629	\$ 67,496,312	\$ 218,985,079
Total Recommended Final Budget Resources	\$ 198,748,847	\$ 536,203,208	\$ 32,772,780	\$ 6,087,607	\$ 130,758,153	\$ 192,711,318	\$ 1,097,281,913
APPROPRIATIONS							
Total Recommended Final Budget Appropriations	\$ 198,748,847	\$ 536,203,208	\$ 32,772,780	\$ 6,087,607	\$ 130,758,153	\$ 192,711,318	\$ 1,097,281,913

STAFFING LEVELS

In the 2015-2016 Recommended Final Budget, Departments continue to strategically add staff in order to restore or improve service levels and programs as funding becomes available. Additionally, many departments are in the process of evaluating their organizational structure to ensure they have the proper classifications in place to support the programs and operations of the department. The 2015-2016 Final Budget recommendations include restoring six unfunded positions, adding ten new positions, unfunding two vacant positions, deleting one unfunded position, transferring 52 positions between budgets, reclassifying 28 positions, conducting classification studies for ten positions, double-filling four positions, and adding two new classifications. The 2015-2016 Adopted Proposed Budget position allocation count was 4,124. Since the adoption of the Proposed Budget 14 additional positions have been approved by the Board of Supervisors. With the implementation of the 14 new positions recommended in the Final Budget the new position allocation count will be 4,152.

In the last five years, the number of full-time allocated positions in the County has increased from 3,607 in the 2011-2012 Adopted Final Budget to 4,152 in the 2015-2016 Final Budget. This is primarily as a result of increases in staffing due to Public Safety Realignment (AB109), the Affordable Care Act, the Mental Health Services Act, and the first phase of Public Safety Restoration.

Stanislaus County Staffing



ONGOING CHALLENGES AND OPPORTUNITIES

Water Resources 2015-2016: Several issues were raised related to groundwater sustainability and on-going drought relief during the Fiscal Year 2015-2016 Proposed Budget hearing held on June 9, 2015. These issues included:

- **Consolidation** – Explore consolidation of water resources into a single department. Staff met with leadership from the Department of Public Works (PW) and the Department of Environmental Resources (DER) to better understand current and on-going water resource programming with an emphasis on reviewing potential opportunities to consolidate all water resources in one department location. At this time, it is staff's recommendation that the process

is highly functional as currently designed. The Groundwater Manager is integral to the well permitting/well review process overseen by DER, and the related storm water and flood plain efforts facilitated by Public Works are appropriately located. Staff does recommend that office space be made available in the near term for the Groundwater Manager at 10th Street Place (fourth floor, PW) so that the Groundwater Manager can interact with other water related issues/staff to develop a synergy of knowledge between these two efforts.

- **Staff Support** – Review potential staffing support for the Groundwater Manager assignment. Staff has reviewed future staffing needs in support of the groundwater management program. After review with DER, the support needed is at best part-time position at this juncture, and perhaps an opportunity for a college intern to assist with well data entry and data management as we begin to collect additional well information. Staff is currently developing a project description and will reach out to the university to solicit student assistance in a part time capacity. This issue will be monitored moving forward and as needs should arise will be revisited at mid-year.
- **Dry Wells**– Explore additional quicker response alternatives for residents experiencing dry well situations. Since the June Proposed Budget hearing staff have developed a Temporary Water Assistance (TWA) program in conjunction with Self Help Enterprises (SHE) as a non-profit provider to assist with providing temporary, above ground potable water tanks and water delivery service to those County unincorporated residents who have experienced dry well situations and are pending repair via waiting lists. The program was approved by the Board of Supervisors on July 28th, 2015 and has already received over 20 applications for this temporary assistance. It is anticipated that tanks and equipment will be received the week of August 10 and connections and temporary water services in place by August 17. The cost of this programming is being covered by State drought relief funding through the California Disaster Relief and Recovery (CDRR) program.
- **Domestic Well Recovery Loan Program** – Add additional funding to the Domestic Well Recovery Loan Program with additional resources for Fiscal Year 2015-2016. The Domestic Well Recovery Loan Program has been very successful since it was adopted by the Board of Supervisors in August 2014. The initial pilot effort was seeded with \$200,000 from Economic Development Bank funds to implement the program. The Loan program current available balance is \$101,203. To date, 7 applications have been received and approved for low interest loans (5 to 7 year repayment schedules) depending upon fiscal ability to repay. Staff is requesting to add an additional \$200,000 from the Economic Development (ED) Bank (current ED Bank fund balance is \$2,296,912) to ensure that this option for low income homeowners remains available through the continuing drought.

Automation “On Line instead of In Line” – \$1 million has been established in Contingency, with an additional \$2.25 million in reserve to support both enterprise-wide technology upgrades for email/active directory/cloud solutions, as well as department initiated projects to improve business efficiencies or enhance customer service. Departments will have the opportunity to apply for funds that can be evaluated for outcomes/return on investment of these General Fund dollars. Recommendations on roll-out of funding will be brought to the Board of Supervisors by mid-year.

Capital Projects/Capital Improvement Plan – AB 900 Phase II Public Safety Center (PSC) Expansion Project – On June 17, 2014, the Board of Supervisors approved three separate design-build construction contracts for Project One (Maximum Security Housing and Medical/Mental Health Facility), Project Two (Day Reporting Facility), and Project Three (Intake, Release, Transportation): Project Two has been completed, while Projects One and Three are approximately 46% complete, and both are scheduled to be completed by the winter of 2016, with occupation by spring of 2017. The County has no obligation to immediately operate or staff the new facilities, so long as occupancy commences by March 31, 2017. A phased opening of the AB 900 Phase II PSC Expansion Project will be based on the County’s fiscal recovery and the annual appropriations by the Board of Supervisors. General Fund Set-Aside of \$2.0 million in one-time funding, coupled with Community Corrections Plan (CCP) funding of \$3.0 million set aside in the adoption of the 2013-2014 CCP Plan will be instrumental for opening. First full year of operations is projected to be the 2017-2018 Fiscal Year. Actual operational costs will be dependent on the number of beds filled and the annual appropriation by the Board of Supervisors of

the Sheriff's Detention budget. The Project Team is working on a phased plan for Board consideration this Fall.

Re-Entry and Enhanced Alternatives to Custody (REACT Center Project) – On August 13, 2014, the State Public Works Board (SPWB) approved Stanislaus County's project scope, project schedule and project costs, which was a significant milestone that allows Stanislaus County to be the first county awarded under SB 1022 Adult Local Criminal Justice Facilities Construction Financing Program funding to initiate a SB 1022 project in the State of California. In accordance with the 2013 Updated Adult Detention Needs Assessment, the project will contain approximately 288 jail beds in adult detention transitional housing units with all associated support and program space, a security administration (control) center and circulation and common space. In addition, the REACT Center will provide services to the offender population under the Sheriff's jurisdiction, including post-release and out-of-custody/monitored release programs. The Stanislaus County Master Plan for the Sheriff's Adult Detention Facilities outlines a broad plan to centralize all the detention facilities at the County's Public Safety Center (PSC) site to increase efficiency, eliminate duplication costs associated with operating these facilities at multiple locations and improving staff and public safety. The REACT Center is intended to be a replacement detention facility for the antiquated Downtown Men's Jail by providing 288 replacement and transitional beds at the Public Safety Center site. The Men's Jail will no longer serve as a detention facility but remain operational as a court holding facility, due to its contiguous location to the main Courthouse. The staff required to operate the REACT Center will come from the existing staffing allocation at the Men's Jail and the Jail Alternatives Unit, allowing the County to populate this facility with no new staffing costs.

Sheriff's Coroner Facility Project at County Center III – On November 4, 2014, the Board of Supervisors approved to award a design-bid-build construction contract to renovate 20,300 square feet of existing County owned property with additional square footage available for future expansion of the Sheriff-Coroner. The original financing plan used \$6.2 million from the 2006 Tobacco Endowment Fund through an internal note as has occurred on other Capital Projects to be financed over a 20-year period at an annual cost of \$487,182. The final project budget approved on November 4, 2014 included the use of Assigned fund balance totaling \$5,755,000 set aside in the 2014-2015 Final Budget as adopted by the Board of Supervisors to fund the project. As a result, there will be no annual debt obligation remaining for the new Sheriff Coroner's Facility. Construction is fully underway and the demolition work has been completed and the contractor continues installing under slab plumbing lines, electrical conduit and CMU block fencing. The project is substantially completed and an appropriate public dedication has been scheduled on October 6, 2015.

Other Projects – The Chief Operations Officer, working in collaboration with the departments located at the Community Services Facility (CSF), is currently in the initial evaluation phase of the heating, ventilation and air conditioning system (HVAC) that has outlived its useful service life and continues to have system failures. Staff will present the findings and financing options to the Board of Supervisors in the Fall of 2015. Additionally, the Scenic Drive Safety Improvement Project, which will create a safety barrier at the turn at County Center II adjacent to the Behavioral Health and Recovery Services Administration Redwoods Building, is scheduled to be bid in the Fall of 2015. Staff from the Chief Executive Office will also begin to evaluate Emergency Operations Center functions throughout the County. The Chief Executive Office County Facilities budget has requested to augment this budget with one-time additional funding of \$3,400,000, \$3.0 million from one-time General Fund balance and \$400,000 from the Chief Executive Office Appropriations for Contingencies legal budget unit. Of the total amount, approximately \$2.5 million is requested to address several improvements and refurbishments of multiple County facilities including the evaluation and design of Harvest Hall and County Center III to serve as back-up Emergency Operations Centers which will ensure continuity of operations in a critical emergency.

Veterans Facility Master Plan – Veterans Services Facility Project – The Stanislaus County Board of Supervisors continues to support the development of a Veteran Services Center Facility in conjunction with the Veterans Advisory Commission (VAC). The Commission and the Board of Supervisors have adopted a four-part strategy to assist in the development of the one-stop Veteran's Center. This four-part strategy includes: the creation of a non-profit entity to accept contributions; action to seek other fund raising and grant opportunities; creation of a sustainable financial model; and planned request for proposals to provide a Veterans Center. Recent progress to support the four-part strategy includes the hiring of a professional grant writer to assist in identifying funds available through grants. In addition,

the Veterans Foundation has been created as a non-profit entity to accept contributions for a new facility. This ad hoc committee is comprised of veteran's service organizations, veterans and community members. The County, in partnership with the VAC and other veteran service organizations continues to support this effort; staff continues to evaluate funding and space requirements for a one-stop shop Veterans Facility. City of Modesto has now joined this effort. The goal is to issue the request for proposals and secure a funding plan in Fall of 2015 to complete the mission of the one-stop Veterans Service Center.

Countywide Security Program – The Board has previously approved funding for a dedicated focus on County Security. A Sheriff's Lieutenant has been assigned and funded to the Office of Emergency Services. Contemplated is a dedicated County Facility Program; as well as an evaluation of all existing facilities and policies. The ongoing evaluation and assessment of safe and secure facilities will be coordinated with external experts and recommendations will be brought back to the Board of Supervisors as needed for authorization to implement widespread security enhancements throughout the County.

Employee Benefits – the medical self-insurance program has performed very well through the first six months of 2015. The draft actuarial report for the medical self-insurance program recommends a 1% rate increase effective January 2016, with the goal of fully funding a claims reserve by the end of 2016 to support the stabilization of rate increases in future years. Rates for dental and vision insurance programs are pending. Non-General Fund departments were advised to budget a conservative 8-10% cost increase effective January 2016, and should experience significant savings by fiscal year-end.

Proposition 47 – The impact of Proposition 47 has been significant at the local level. The Chief Executive Officer has requested affected departments to track the impacts and a report on this subject will be coming to the Board of Supervisors in the Fall.

State Budget Update – The State General Fund ended with a positive cash balance for the second year in a row. Total revenues for the 2014-2015 Fiscal Year in the General Fund were \$6.8 billion (6.4%) more than anticipated a year ago when the 2014-15 State Budget was adopted. Compared to the previous Fiscal Year, California revenues were \$12.7 billion higher, a bump of 12.5%. For the entire 2014-15 Fiscal Year that ended June 30, personal income tax accounted for \$5.8 billion of the \$6.8 billion windfall. Corporation taxes beat projections by \$1.6 billion, while retail sales and use taxes for the year came in \$395.9 million lower than expected. Of the \$12.7 billion revenue increase over the previous year, \$10.1 billion, or 80 percent, consisted of personal income taxes. The Governor continues to encourage fiscal prudence in the legislature even with the windfall of funds.

CONCLUSION

Long-term planning will continue to play an important role in strategy implementation in Fiscal Year 2015-2016 and for strategy development in the outlying years. The County has been working on developing and maintaining appropriate reserves, a planned and partially implemented restoration of public safety services, targeted restoration of staffing in non-public safety areas, and initiation of a long-range strategy for improving quality of life in Stanislaus County. Staff will continue to focus on appropriate measuring and monitoring of service quality with an increased focus on performance measures in the coming years.

NEXT STEPS

The Stanislaus County Board of Supervisors will conduct the Recommended Final Budget hearing on September 15, 2015, at 6:35 p.m. Given the broad scope of the County's budget, it is not uncommon for the County to make budget adjustments throughout the year. This will be addressed as appropriate through the quarterly financial reporting process 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>.



Stanislaus County is located in Central California within 90 minutes of the San Francisco Bay Area, the Silicon Valley, Sacramento, the Sierra Nevada Mountains and California's Central Coast. With approximately 532,000 people calling this area home, our community reflects a region rich in diversity with a strong sense of community.

Two of California's major north-south transportation routes (Interstate 5 and Highway 99) intersect the area and the County has quickly become one of the dominant logistics center locations on the west coast.

The County is home to a vibrant arts community with the world-class Gallo Center for the Arts, a symphony orchestra, and abundant visual and performing arts. Stanislaus County is a global center for agribusiness, positioned by its mild Mediterranean climate, rich soils and progressive farming practices. The area is recognized internationally for agricultural innovation with wine, almonds, poultry, milk, cattle, and walnuts being some of our featured industries. The County is also home to California State University, Stanislaus, Modesto Junior College and other high quality educational institutions.

The County was established in 1854 and has a total land area of 1,494 square miles. Temperatures range from an average low of 38 degrees Fahrenheit in the winter to an average high of 85 degrees in the summer. Temperatures move up into the 90s during the summer months with low humidity and cool evening breezes from the San Joaquin Delta.

ECONOMY

Stanislaus County is an international agri-business powerhouse. The value of agricultural commodities produced in 2013 increased by 12% to nearly \$3.6 billion in value. Almond meats are the number one commodity at \$1.1 billion followed by milk at \$804 million in value. The value of almonds increased by 53% in a single year in 2013 and quickly overtook milk as the number one agricultural industry in the County.

Farmers in Stanislaus County export more than 133 commodities to 102 countries around the world. 8,939 export certificates were issued in 2013. Hong Kong receives 16% of exports followed by Japan and Germany at 9% with Spain and South Korea at 8% of exports.

Manufacturing continues to be an important employer sector in Stanislaus County. Some of the largest brands in the world can be found with operations here. The County is home to the headquarters of Gallo and Bronco Wineries, global nursery providers and a burgeoning high-tech agricultural industry.

Manufacturing Employer	Description	Employees*
E&J Gallo Winery	Winery	3,300
Del Monte Foods	Fruit Products	2,300
Seneca Foods	Fruit Products	2,275
Stanislaus Foods	Tomato Products	1,850
Foster Farms	Poultry Processor	1,550
ConAgra Foods	Tomato & Bean Products	939
Bronco Wine Company	Winery	834
Silgan Containers	Metal Food Containers	750
Frito-Lay	Snack Food Products	684
Racor	Filtration Products	627

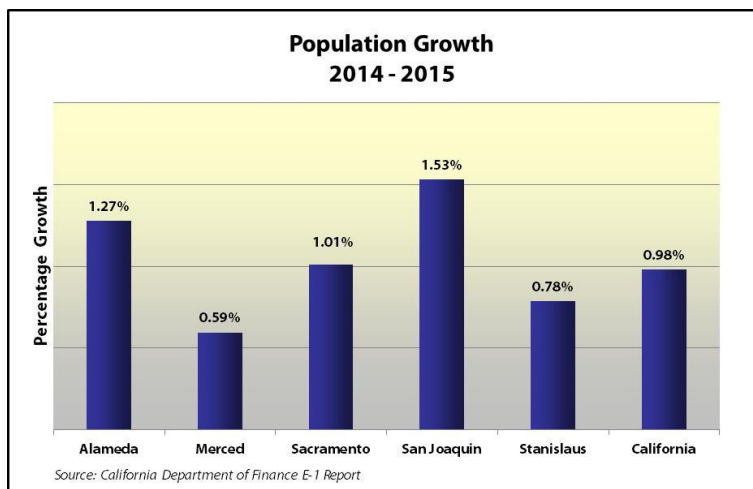
**Reflects peak seasonal employment*

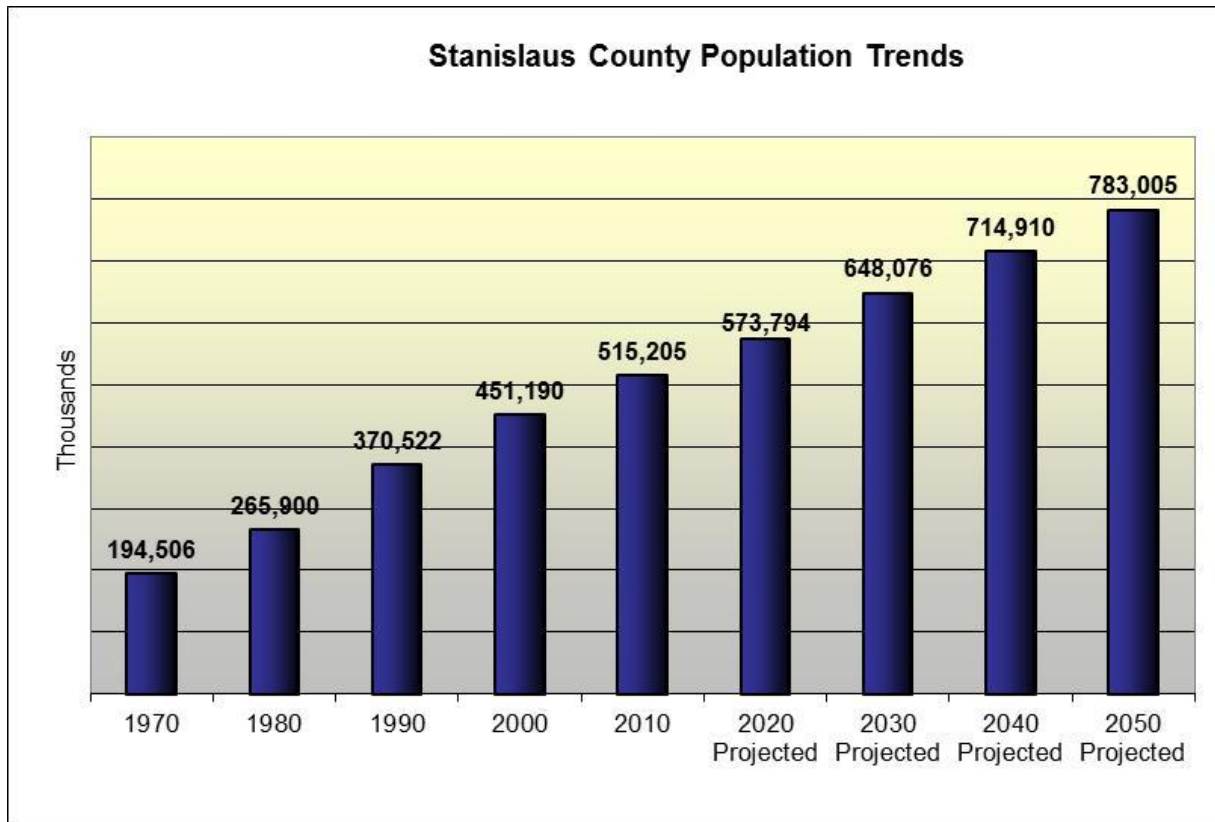
The healthcare sector plays a major part in the County's economic engine with some of the finest hospitals in the world located in Stanislaus County. Tenet Healthcare, Sutter Health and Kaiser Permanente have major facilities in the County. There are two tertiary hospitals in the County.

Non-Manufacturing Private Employer	Description	Employees
Memorial Medical Center	Healthcare	2,600
Doctors Medical Center	Healthcare	2,100
Save Mart Supermarkets	Retail Supermarket	1,661
Duarte Nursery	Plant Nursery	1,500
Wal-Mart	Retailer	1,417
Emanuel Medical Center	Healthcare	1,250
Sutter Gould Medical Foundation	Healthcare	1,089
Med America	Medical Billing Coding	900
Storer Coachways	Transportation	900
Kaiser Permanente	Healthcare	800

COUNTY POPULATION

Stanislaus County has experienced an estimated 3.5% growth since the 2010 census. The California Department of Finance (DOF) estimates there was .8% population growth in Stanislaus County when comparing January 1, 2014 to January 1, 2015.





Source: California Department of Finance and US Census

Population growth projections from the State Department of Finance (DOF) continue to scale back since the great recession. Pre-recession growth projections from DOF indicated a County population base of nearly 700,000 people by 2020. Last year, DOF projections for 2020 were 589,156. The current projection has been adjusted to 573,794, approximately 2.6% lower than previous estimates. In looking to year 2050, DOF projections are now 783,000 versus last year's estimate of 862,000.

Dealing with the impacts of growth will be an ongoing challenge for the area. Water, job availability, a trained workforce and available infrastructure to attract new business, affordable housing, farmland preservation, air quality, transportation and school capacity are all issues tied to growth.

COUNTY POPULATION BY CITY

There are nine incorporated cities within Stanislaus County: Ceres, Hughson, Modesto, Newman, Oakdale, Patterson, Riverbank, Turlock, and Waterford. Also, there are 13 unincorporated communities within the County: Denair, Empire, Grayson, Hickman, Keyes, Knights Ferry, La Grange, Monterey Park Tract, Riverdale Park Tract, Salida, Valley Home, Vernalis and Westley.



East Stanislaus County

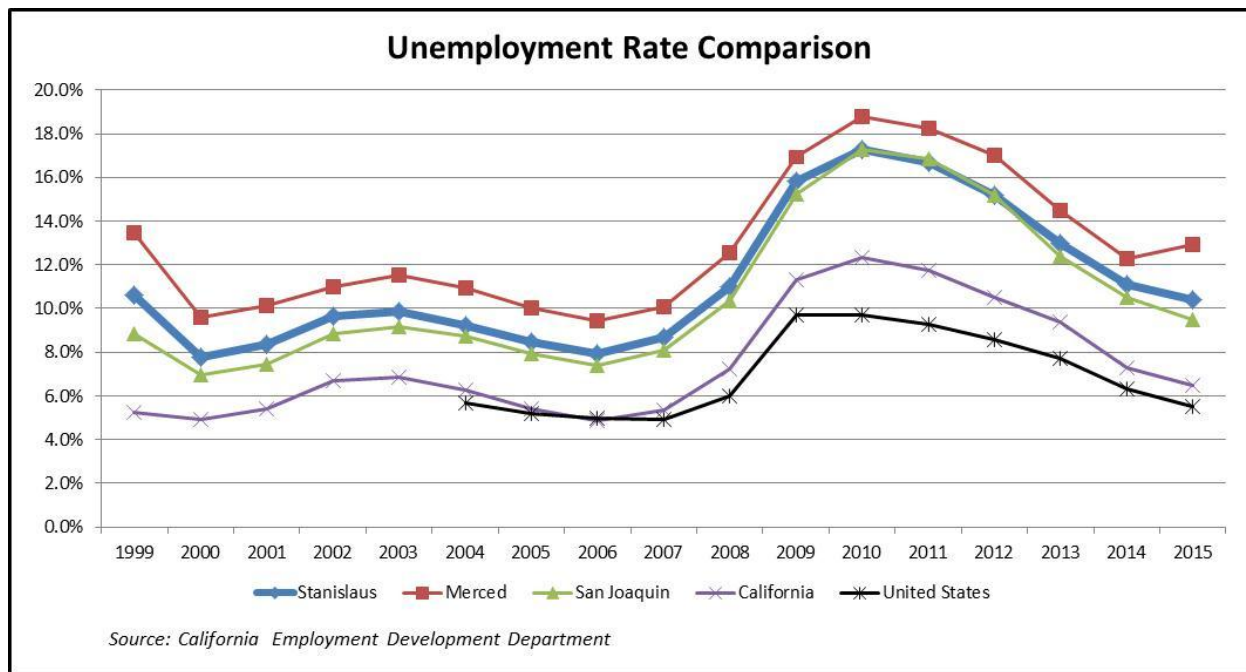
Additionally, there are numerous unincorporated islands located in and around the cities that make up the balance of the unincorporated population statistic. Oakdale experienced the fastest city growth at 1.27%. Modesto, the largest city in the County, experienced .63% growth in 2014 which was comparable to 2013.

City	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015
Ceres	45,538	45,854	46,223	46,596	46,989
Hughson	6,687	6,799	6,965	7,137	7,222
Modesto	201,713	203,085	205,562	207,878	209,186
Newman	10,475	10,567	10,622	10,695	10,753
Oakdale	20,779	20,947	21,190	21,499	21,773
Patterson	20,501	20,634	20,802	20,979	21,094
Riverbank	22,775	22,924	23,100	23,305	23,485
Turlock	68,813	69,370	69,744	70,362	71,043
Waterford	8,478	8,533	8,579	8,639	8,686
Unincorporated	110,485	111,227	110,251	111,067	112,066
County Total	516,244	519,940	523,038	528,157	532,297

Source: California Department of Finance and US Census

UNEMPLOYMENT RATE COMPARISON

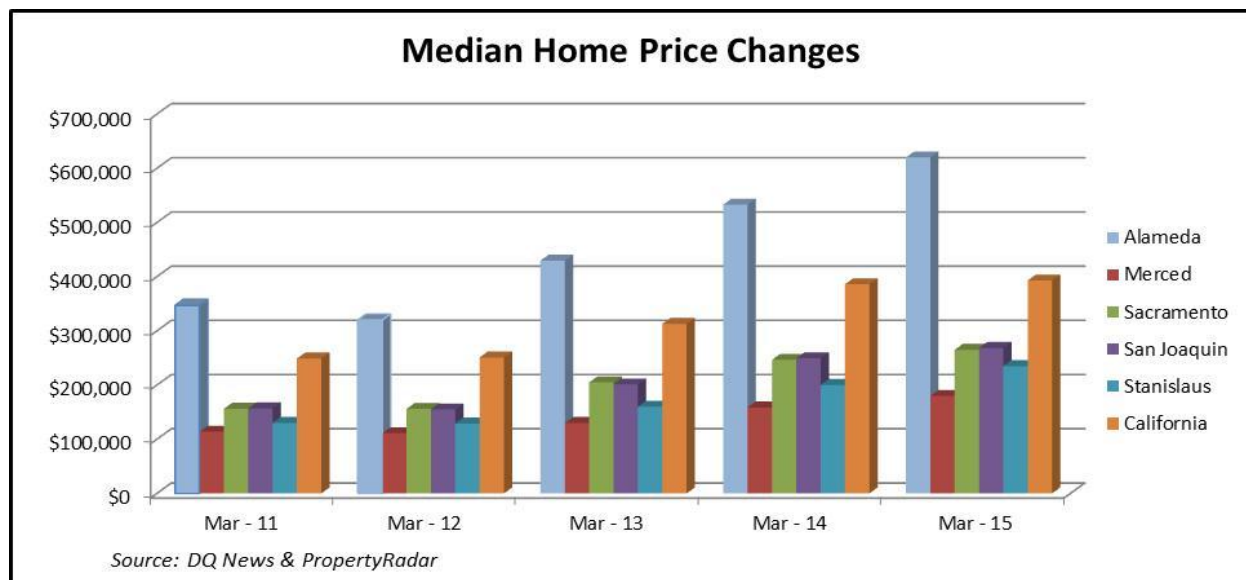
The County's annual unemployment rate for March, 2015, is 10.4%, an improvement from 11.1% in 2014, but significantly higher than the State rate of 7.3%. Unemployment rates in the central valley are historically twice the national average (currently 5.5%) and economic growth has been slow in the valley after the recession.



High unemployment rates mean more people receiving government assistance, thus placing a greater strain on local public resources.

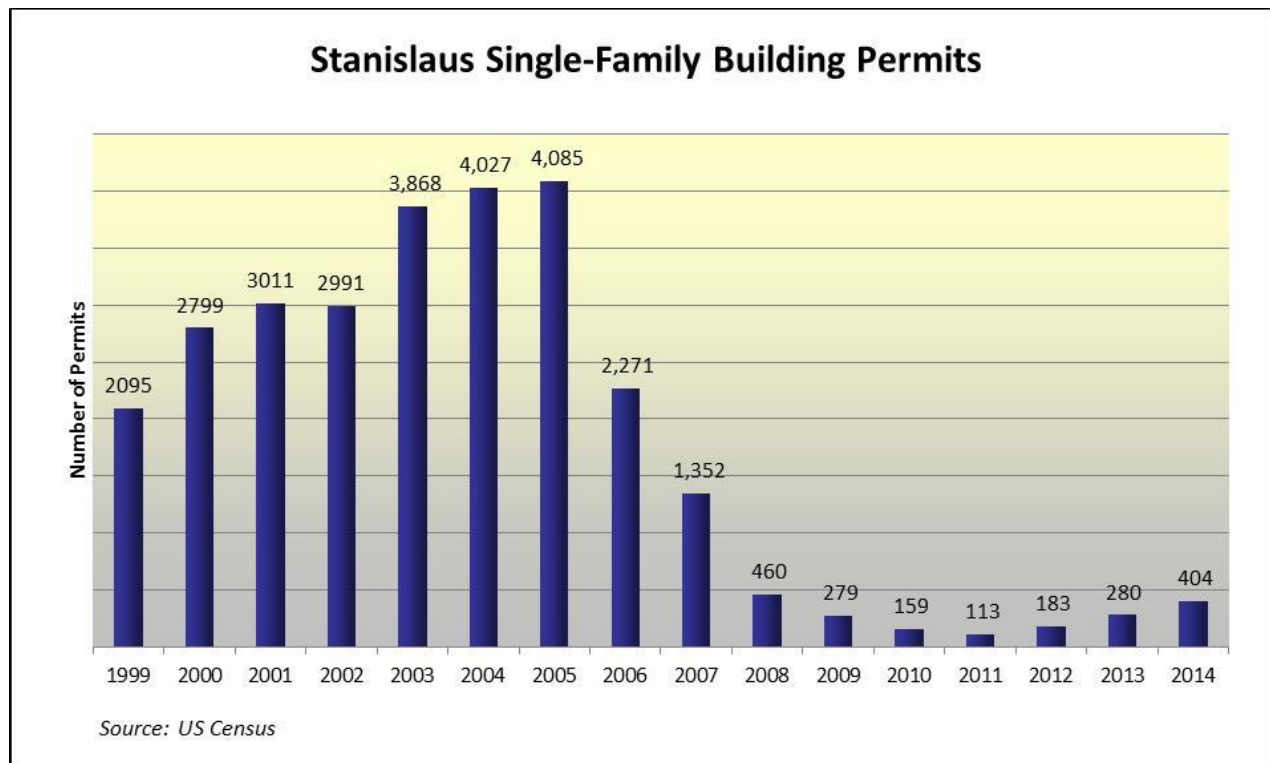
HOUSING

Home values increased 17.5% from March 2014 to March 2015 in Stanislaus County. Values are up nearly 82% from the low of \$129,000 during the recession. The 2014-2015 Property Tax Assessment Role showed an 11.5% increase reflecting the strong improvement in the real estate market.



* Data used annually is from the March time period.

SINGLE-FAMILY BUILDING PERMITS



Stanislaus County tracks issued single family residential construction permits as a way of monitoring the home construction, building materials and construction employment sector. Issued permits plummeted from a high of over 4,000 in 2005 to a low of 113 in 2011. Issued permits continue with the trend of small increases over the past few years up to 404 in 2014.

The construction sector was one of the largest employment sectors of the Stanislaus economy in the early 2000's before the Great Recession. The construction industry employed more than 14,000 people in 2005 compared to just over 6,000 in 2011.