



First Quarter Financial Report July—September 2007

BOARD OF SUPERVISORS

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Introduction

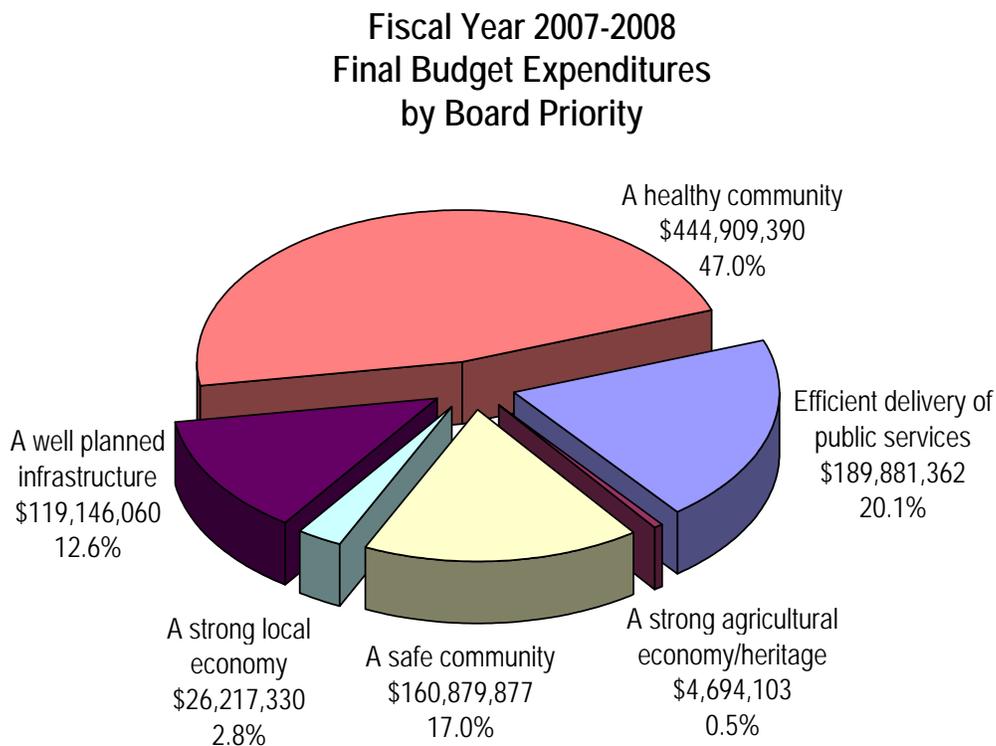
This is Stanislaus County's First Quarter Financial Report for the period of July 2007-September 2007 for the 2007-2008 Fiscal Year. It has been prepared to inform the Board of Supervisors, County leadership and the public of the County's fiscal status. The report provides revenue and expenditure summaries by each Board of Supervisors Priority and recommends adjustments to County budgets needed since the adoption of the Final Budget in September 2007.

Summary

On September 11, 2007 the Board of Supervisors adopted the Fiscal Year 2007-2008 Final Budget for Stanislaus County. This spending plan of \$945,728,122 for all funds reflected a decrease of \$622,740 or a .06% decrease over the 2007-2008 Proposed Budget and a 5.1% increase over the 2006-2007 Final Budget. The Final Budget was balanced and used a combination of \$903,268,857 in revenue and \$42,459,265 in fund balance and one-time funding sources. The Final Budget also reflected designations in the General Fund totaling \$54,610,014.

The County's 2007-2008 General Fund budget totaled \$278,815,789, an increase of 2.2% or \$5,895,258 over the Proposed Budget. The Final Budget for Fiscal Year 2007-2008 includes \$9.7 million in appropriations for contingency funds for future exposures.

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



Budget Overview

Summary of Adopted Proposed Budget

The Proposed Budget for Fiscal Year 2007-2008 included several key factors contributing to the overall increase or change from last fiscal year. The largest was an increase in the Road and Bridge budget of over \$34 million. This increase is primarily due to a change in budgeting methodology whereby all projects were included in the regular budget process instead of individual budget actions approving each project when ready to proceed. Also included was \$5 million in Proposition 1B funds for additional road improvement projects.

County departments requested additional funding for unmet needs totaling nearly \$33 million. Of that total requested, the Proposed Budget included an additional \$11.8 million of funding for the most urgent of the additional unmet needs requested by County departments. Those unmet needs included funding for additional election costs, building budget allocations for future capital needs, 25 net new positions in eight departments, additional costs for pathology services at the Sheriff's Department, and various other unmet needs. Some additional funding was also recommended with offsetting revenues, particularly in caseload growth in various human service programs.

The Proposed Budget used \$7.5 million of fund balance to balance the General Fund and an additional \$5.5 million of fund balance was used as part of the Final Budget adoption. Fund balance is generated from a combination of prior year savings and/or additional revenue that is received above budgeted estimates.

Summary of the Adopted Final Budget

In the Board of Supervisors priority area of *A safe community* the Final Budget includes funding for temporary staff costs in the County Fire Warden's Office for the installation of the new Computer Aided Dispatch System, increased medical staff coverage at the Juvenile Hall, and funding for the Probation Department for the increased costs of a recent labor agreement. Department revenue was used to fund office furnishings, ammunition and weapons for the Probation Department and two new Deputy Sheriff positions were added to the Sheriff's Contract Cities budget and funded by the City of Patterson. Funding was re-budgeted in the Sheriff's Budget for the Mentally Ill Offender Crime Reduction Grant (MIOCR) for revenue that was not used in the first six months of the Corrections Standards Authority grant funded program. New equipment, alarms, security system, and a position upgrade were funded in the Stanislaus County Ray Simon Training Center budget, which are funded by revenue generated from course fees. Funding is included in the Chief Executive Office – Criminal Justice Facilities Fund to finish the build out of the fifth floor of the 12th Street Office Building for the District Attorney.

In the Board of Supervisors priority area of *A healthy community* the Final Budget for Stanislaus Behavioral Health Center was reduced by nearly \$14 million due to the pending sale of the Psychiatric Inpatient Hospital property and operations to Doctor's Medical Center. Adjustments were made to the Behavioral Health and Recovery Services for a number of its other budget units, including transferring its psychiatric services to Managed Care, and decreasing grant funding in the Stanislaus Recovery Center budget unit and program funding for the Substance Abuse and Crime Prevention Act. The Community Services Agency included adjustments to its budgets, which were offset by increased State and Federal funding, reducing the Department's overall use of fund balance. The budget included increased expenditures and revenue in the Health Services Agency Clinics and Ancillary Services and Public Health to more accurately account for medical malpractice costs in these budgets, offset by retained earnings in the Risk Management – Professional Liability budget. The budget also included a \$4.6 million contribution from the General Fund to address the Fiscal Year 2005-2006 cash deficit in the Health Services Agency Clinic and Ancillary funds. The Final Budget did not address the \$12.6 million gap identified in the Clinics and Ancillary Services as part of the Proposed Budget. A separate staff report to the Board of Supervisors on September 11, 2007 included numerous cost-saving initiatives and efficiencies that are expected to achieve savings of over \$6 million annually. Following a public hearing on October 16, 2007, the Board approved and the Agency has begun the implementation process of the initiatives. In addition, on September 24, 2007 the Agency was notified of final approval of the Federally Qualified Health Center Look-Alike (FQHC-LA) designation, which is estimated to net increased revenue of \$6.4 million annually.

As part of the Board of Supervisors priority area of *A strong local economy* a community development component of the Economic Development Bank was approved. The newly established Community Development Fund will be administered by Chief Executive Office and will provide grant based funding to address one-time projects and programs benefiting the unincorporated area demonstrating strong local support and a general public benefit.

As part of the Board of Supervisors priority area of *A well-planned infrastructure system* funding in the Environmental Resources budgets reflected increased tipping fees in its Source Reduction and Recycle Program, as well as in its Household Hazardous Waste Program. The Fink Road Landfill budget was increased for costs associated with the Landfill Litter Fence Project, the Oakdale Bulky Item Drop-Off Program, and the Household Hazardous Waste/E-Waste Programs.

The Board of Supervisors priority area of *Efficient delivery of public services* included use of increased revenue for the Auditor-Controller to fund an additional Internal Auditor to address internal audit demands. The Final Budget included a \$300,000 contribution from the General Fund toward the vehicle replacement fund for Fleet Services and \$588,925 for the annual amount due to the City of Modesto for the shared revenue from the North McHenry Tax Sharing Agreement.

The 2007-2008 Final Budget reflects a workforce of 4,603 full time employees and an overall increase of 94 positions over the 2006-2007 Final Budget.

2007-2008 First Quarter Overview

As discussed in the 2007-2008 Final Budget, the County faced a number of challenges as it began the 2007-2008 Fiscal Year and among the most significant of these challenges is the ongoing restructuring of the Health Services Agency's clinic system, to ensure fiscal viability. The Clinics and Ancillary Services Proposed Budget reflected an unmet need of \$12.6 million for which funding had not been identified. The exposure was also reflected in the Final Budget, at which time a separate staff report was presented to the Board of Supervisors that contained initiatives designed to achieve cost savings and efficiencies, as part of a clinic re-design and set a public hearing for additional cost-saving initiatives. The public hearing was held on October 16, 2007, where the Board of Supervisors approved the additional initiatives. The approved initiatives are estimated to achieve a savings of over \$6 million annually. Additionally, on September 24, 2007 the Agency was informed its application for FQHC-LA status had been approved. As a result of this designation, the Agency will receive enhanced patient revenues that are estimated to net \$6.4 million annually. This financial report contains recommendations that, if approved, will reduce the unmet need of \$12.6 million by \$8.4 million and an additional recommendation for \$4.2 million from Appropriations for Contingencies, to fully eliminate the remaining exposure of the Agency's operating deficit for 2007-2008. The Agency continues to work through additional cost-saving initiatives and plans to return to the Board of Supervisors with additional recommendations in the upcoming months. It is anticipated that the improved revenues resulting from the FQHC-LA designation and the full implementation of cost-saving initiative will result in balanced budgets for the Agency beginning in 2008-2009.

Another major challenge facing the County has been the status of the Stanislaus Behavioral Health Center (SBHC). Negotiations with Doctors Medical Center (DMC) to purchase both the operations and the land/property of SBHC from the County have been ongoing for several months. On August 21, 2007 a public hearing was held and the Board of Supervisors approved the proposed sale and adopted an ordinance authorizing the sale of SBHC to DMC. On October 23, 2007 all legal documents related to the sale of SBHC to DMC were approved by the Board of Supervisors. The sale of SBHC will require Behavioral Health and Recovery Services to purchase beds for County patients from DMC or other providers, at an annual cost of \$11,703,300. The sale is being finalized on November 1, 2007. The Department estimates State and Federal revenue for these services to be \$10,287,324. The ongoing annual net county cost is estimated to be \$1,415,976. For 2007-2008, the proceeds from the sale of SBHC

will be allocated to the negative cash balance and operating losses at SBHC, the estimated transition and relocation costs, costs from the Behavioral Health and Recovery budget, and the remainder reserved for future uses for program needs.

A developing area of concern is in social services program funding. Since 2000-2001, social services programs in the State of California have not been funded for increasing annual costs of providing the same level of service. Locally, the Community Services Agency has accommodated this lost revenue by leveraging options, braiding funding streams to support services, mitigating cost increases within its control and implementing program efficiencies. The Agency anticipates significant future budget balancing challenges, beginning in 2008-2009 in the absence of additional revenues or general fund support. The strategy used to balance the 2007-2008 budget relied heavily on one-time rollover funds from program savings from two prior fiscal years. The impact of In-Home Supportive Services Program growth and negotiated cost of living increases is estimated at \$1.7 million in 2008-2009. The 2007-2008 impact of just under \$1 million was met with one-time savings. The Governor's veto of supplemental funds for the Adult Protection Services Program can be mitigated with a one year balancing strategy that includes a sustained casework vacancy and fund balance utilization through the balance of this fiscal year. The 2007-2008 CalWORKS allocation funds include over \$1.3 million of one-time support to expand employment services to meet work participation rates. This funding is not expected to continue past this fiscal year. However, failure to achieve required Federal work participation rates could result in State penalties, which would be shared with counties based on actual performance. Finally, the Agency supports a significant number of partnership projects both at the County Department level and with numerous community based organizations, though collaborative financing strategies that leverage State allocations and maximize contributions of local county share. Given the changing funding environment and tightening of resources, certain partnerships may need to be revisited for sustainability into the future.

The Board of Supervisors has adopted the County's Capital Improvement Plan on June 26, 2007 as well as the Public Safety Facilities Master Plans. The Capital Improvement Plan is currently being updated and the Preliminary Plan will be submitted to the Board of Supervisors in November. The needs reflect almost \$250 million in estimated project costs that would be the responsibility of the County. The Public Safety Facilities master plan identified a critical shortage of jail beds and the need to replace the current Coroner's facility among others. Funding for any of the components that would be constructed will need to be identified on a phased project by project basis.

The Animal Services Master Plan was also completed and development of a conceptual design for expansion and renovation of the County Animal Services Shelter Facility is underway. Need for improvements in this facility is critical for both short term and long term expansion of the facility. Funding a project of this type is critical and staff continues to work on a funding plan with the various stakeholders.

Health insurance coverage also continues to be a challenge as the cost to both the County and employees is expected to rise again this fiscal year. The January 2008 increase for the County's lowest cost plan will be 18.8% even with the increased co-payment for office visits of \$20 that will occur January 1, 2008. This is not only a challenge for the General Fund, but it is also an issue for budgets in other funds that are facing their own fiscal crises and cannot afford this increase.

In the prior fiscal year the County entered into new agreements with a majority of its bargaining units. Negotiations have been ongoing with the Sheriff's Management Association. The contract with the Registered Nurses' Bargaining Unit is expiring during the Fiscal Year 2007-2008. Negotiations with this unit

will start in the second quarter of the fiscal year. Until negotiations are complete the final financial impact of these negotiations will be unresolved.

Housing sales and values continue to decline compounded by the increased number of housing foreclosures in this County will adversely impact the value of the County's property tax roll. It will not increase at the same rate as that of the past two years. Property tax revenue is the County's greatest source of discretionary revenue. The decline in sales tax revenue will continue to adversely impact discretionary revenue growth, all of which causes us to continue to proceed with caution when considering additional future ongoing financial obligations.



A safe community

COUNTY DEPARTMENTS

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

A safe community

OVERVIEW

Protecting the safety of the residents of Stanislaus County continues to be a top priority of the Board of Supervisors. Departments assigned to the Board of Supervisors priority area of *A safe community* include: Animal Services, Chief Executive Office-Office of Emergency Services/Fire Warden, District Attorney, Probation, Public Defender and Sheriff. The revenue used to pay for these services comes primarily from local taxes such as property tax and sales tax, fees, franchises, charges for services, and a variety of other discretionary sources. Public Safety Sales Tax revenue (Proposition 172) is also used to partially fund the District Attorney, Probation and Sheriff's Department budgets. These departments also utilize dedicated funds for specific grant funded programs.

DEPARTMENTAL EXPENDITURES

As of September 30, 2007, expenditures for the departmental budgets that are under the Board of Supervisors priority area of *A safe community* are at \$37.1 million compared to \$37.3 million for the same time period one year ago. This amount represents 22.6% of the 2007-2008 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 22.8% to 24.0% of the total yearly expenditures when looking at the previous two years, placing this year slightly below that of previous year spending patterns.

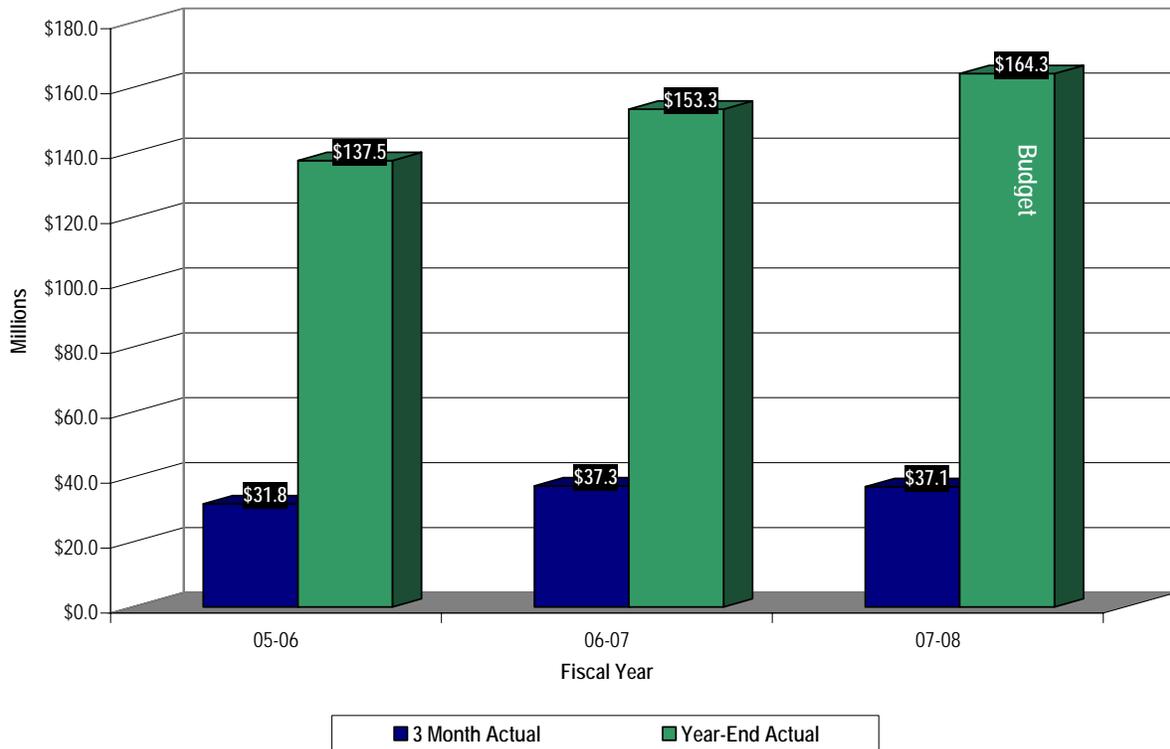
Some of the significant variations in departmental expenditures this year, compared to the same time period one year ago include:

- ◆ A combined \$1.2 million decrease in expenditures for various Sheriff's budgets which include \$2.3 million decrease in expenditures in the Sheriff's Operations budget attributed primarily to the one-time payment for prior year employee retirement costs as part of the Ventura Settlement paid in the 2006-2007 Fiscal Year, and approximately \$739,982 increase expenditures in the Sheriff Administration, Contract Cities, Court Security and Jail Commissary-Inmate welfare budgets for increased salary, and group health insurance costs and approximately \$402,643 increase in the Sheriff's Ray Simon Training Center budget reflecting the first year of full operating costs to run the training center. Previously, the majority of operating costs were covered by Modesto Junior College;
- ◆ Approximately \$126,531 increase in costs in Animal Services for the increased use of Stanislaus County Alternative to Euthanasia (SCATE) Program;
- ◆ An increase of approximately \$205,038 in the Jail Medical budget for increase contract nurse staffing and annual contract increase;
- ◆ Approximately \$225,783 increased actual costs over the prior year in the District Attorney Criminal budget for increased salary and group insurance costs;
- ◆ A combined increase of approximately \$176,145 in all the Probation budgets. Which include a decrease of \$199,041 in Administration for one-time expenditures for Ventura Settlement costs that was included in the 2006-2007 Fiscal Year, and approximately \$375,186 increase in the Probation Field Services, and Institutions budgets for increased salary and group health insurance costs;

- ◆ Approximately \$108,661 increase in the CEO-County Fire Service Fund budget for increased salary and benefits costs associated with the addition of Fire Service Specialist staff to this budget. Previously no positions were allocated to this budget unit; and
- ◆ Approximately \$95,856 increase in the Public Defender Indigent Defense budget for increased conflicts contract costs.

The following chart shows a three year period of departmental expenditures, including the current year, for the departments assigned to the Board of Supervisors priority area of *A safe community*.

A safe community--Departmental Expenditure Three Year Comparison



DEPARTMENTAL REVENUE

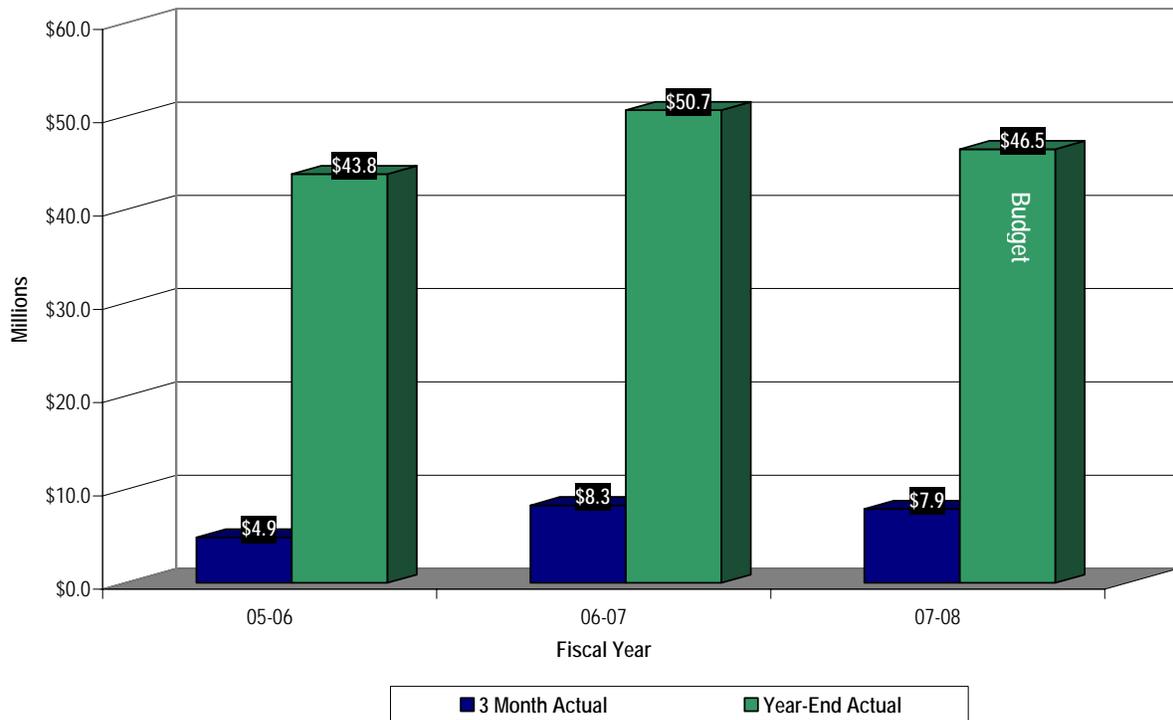
As of September 30, 2007, revenue for the departmental budgets that fall under the Board of Supervisors priority area of *A safe community* are at \$7.9 million compared to \$8.3 million for the same time period one year ago. This amount represents 17.1% of the 2007-2008 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 13.0% to 18.4% of the total year collections, placing this year within range of the two year average.

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

- ◆ Approximately \$2.8 million decrease in revenue in the Animal Services and District Attorneys' Grants budget units due to a significant one-time payment for prior year claims received from the State last fiscal year for the SB 90 Program creating significantly lower revenue than prior year actuals;
- ◆ Approximately \$932,764 increase in revenue in the Probation Institutional Services and Juvenile Justice Crime Prevention Act budgets due to the timing of revenue being received;
- ◆ A combined \$1.8 million increase in revenue for various Sheriff's budgets which include an increase of approximately \$1.6 million for Contract Cities and Court Security due to timelier claiming and invoicing of budgeted department revenue. In addition, there is an approximate \$96,500 increase in revenue in Inmate Welfare due to more timely posting of revenue and \$89,574 increase in revenue for Detention due to more inmates on home detention and Alternative Work Program (AWP) and the increased fees charged to participate in these programs;
- ◆ Approximately \$482,057 decrease in revenue is due to the one-time repayment reimbursement to the Courthouse Construction Fund consistent with the audit findings and agreement with the Administrative Office of the Courts reached last fiscal year; and
- ◆ Approximately \$117,606 increase in revenue in Chief Executive Office-County Court Funding due to an increase in court fees. This revenue, along with funding from the General Fund is used to fund the County's maintenance of effort obligation for Court facilities.

The following chart shows a three year period of departmental revenue, including the current year, for the departments assigned to the Board of Supervisors priority area of *A safe community*:

A safe community--Departmental Revenue Three Year Comparison



ISSUES AND RECOMMENDATIONS

ANIMAL SERVICES - TRUST DONATIONS: The Animal Services - Trust Donation Fund was established for donations made to the Department and the collection of fines and fees established by the Pet Overpopulation Ordinance. The amount originally approved in the 2007-2008 Final Budget was \$162,000. The funds are used for the support of spay and neuter programs including the Stanislaus County Alternative to Euthanasia (SCATE) Program. The SCATE Program allows the public to purchase a \$50 voucher that must be taken to participating veterinarians for the spay or neuter of their animals. After the veterinarian completes the spay or neuter, they charge the Animal Services Department an agreed upon amount which is at a higher rate than the \$50 voucher cost. These vouchers have historically been sold at monthly clinics. The funds originally budgeted as part of the 2007-2008 Final Budget has been fully expended primarily due to the over the counter sales of vouchers. The Department is requesting an increase in funding to cover the estimated outstanding fees of \$102,000 from SCATE vouchers to reimburse veterinarian costs. These vouchers have a 90 day expiration date. A total of \$123,000 is estimated to cover clinics through January. As part of Animal Services mid-year fiscal review a thorough analysis of the Trust Donation budget will be done once again, to determine if additional funding is needed to continue the current monthly clinic through the end of the fiscal year. At mid-year the Animal Services will also review the General Fund portion of their budget for any available savings. The Animal Services

Department is requesting an increase of \$225,000 in appropriations and \$122,000 in revenue to the Trust Donation Fund and the remainder of the \$103,000 will be funded by trust fund, fund balance.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/ Fund Balance			
Animal Services Trust Donations	\$225,000	\$225,000	Departmental fines and fee revenue	Funding for the SCATE Program	

Summary of Recommendations: It is recommended to increase the Animal Services Trust Donations fund by \$225,000 in appropriations and revenue by \$122,000 with the remaining funded by trust fund, fund balance, for the Stanislaus County Alternative to Euthanasia Program (SCATE).

CHIEF EXECUTIVE OFFICE – OFFICE OF EMERGENCY SERVICES/FIRE WARDEN: The Office of Emergency Services (OES) requested funding of \$2,625 in support of two incidents that resulted in activation and support of the Emergency Operations Center. The Lick Fire in Henry Coe State Park burned approximately 30,000 acres in Stanislaus County in September 2007. The Emergency Operations Center was activated to support suppression efforts and local strike teams. OES incurred \$1,432 in expenses to support response to this incident. The Emergency Operations Center was also involved in support of potential heat incidents in July and August 2007. The Governor ordered cooling centers opened statewide in July and local states of emergency were declared for the August incident by counties south of Stanislaus. OES incurred expenses of \$1,193 to support these incidents. The Office of Emergency Services, as the Stanislaus Operational Area Coordinator, is mandated by the Standardized Emergency Management System to coordinate information and resources prior, during and following an incident. The OES budget does not include funding for activation and/or support functions.

It is anticipated that OES will require additional funding for expenses incurred for activation and/or support functions. At this time, it is recommended that adjustments to this budget be considered as part of the Mid-year Financial Review, when a more comprehensive review of departmental budget issues will occur.

The Department is requesting a classification study of a Confidential Assistant III position.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/Fund Balance			
Office of Emergency Services	-0-	-0-		Reclassify one Confidential Assistant III position	Study

Summary of recommendations: It is recommended to study one Confidential Assistant III position.

CHIEF EXECUTIVE OFFICE – COUNTY FIRE SERVICE FUND: The Department is requesting a classification study of one Administrative Clerk II position.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/Fund Balance			
County Fire Service Fund	-0-	-0-		Reclassify one Administrative Clerk II position	Study

Summary of Recommendations: It is recommended to study one Administrative Clerk II position.

DISTRICT ATTORNEY: The District Attorney requested additional funding for the cost to reclassify a Supervising Legal Clerk I to Supervising Legal Clerk II and to upgrade an Attorney V position to Chief Deputy District Attorney. The cost would be \$3,211 for the remaining seven months of the fiscal year for the Supervising Legal Clerk position and \$14,169 for six months of the fiscal year for the Attorney V upgrade. Additional staff work is necessary before a recommendation can be made on the upgrade of the Attorney V position. The cost of the recommended upgrade of the Supervising Legal Clerk position would be absorbed in the Criminal Division budget existing appropriations in the current year, and an adjustment would be needed for the issued base in the 2008-2009 Fiscal Year of \$5,505. The District Attorney also requested the addition of four new Legal Clerk III positions; one to support the Investigations Unit, one for Intake and two new positions requested previously for their electronic data management project to convert paper files to electronic files. The funding requested for these positions for the remainder of the fiscal year total \$111,893. The cost to add one Legal Clerk III position to support the increased demands in the Intake Unit is recommended to be funded at a cost of \$32,802 for seven months of the current fiscal year through a transfer from Appropriations for Contingencies or a total cost of \$55,588 annually. This position is needed to address the increase in cases that are submitted by law enforcement, as well as the increase in information that actually keyed into the case management system and to manage the backlog of cases that requiring processing.

It is recommended that the District Attorney's request to use \$37,000 in Public Facility Fees that were not used in the prior fiscal year and \$30,000 in existing funding for Integrated County Justice Information System (ICJIS) costs that the ICJIS Commission agreed could be used to partially fund the electronic data management project for a total of \$67,000 be approved. This funding would be used to purchase a new server, tape library, computer workstations and scanner, software license and to fund maintenance and training costs.

Finally the District Attorney's request for \$40,000 to fund additional expert witness expenses for forensic accountant support for several criminal cases, including three real estate fraud cases, that involve sifting through and explaining several thousand pages of financial documents is recommended to be reviewed at mid-year. The District Attorney believes the need for this type of additional expert support is critical to the successful prosecution of these cases and plans to contract for this type of expert witness prior to mid-year and does not anticipate that they will be able to absorb the additional cost.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/ Fund Balance			
DA-Criminal	-0-	-0-	Use of \$3,211 in existing appropriations; will require a \$5,505 adjustment to the 2008-2009 issued base	Reclassify and block-budget one Supervising Legal Clerk I position	Supervising Legal Clerk II
DA-Criminal	\$32,802	-0-	Appropriations for Contingencies; will require a \$55,588 adjustment to the 2008-2009 issued base	Increase Legal Clerk support for Intake	Add one Legal Clerk III position
DA-Criminal	\$37,000	\$37,000	Justice PFF revenue of \$37,000 and \$30,000 of existing appropriations	Increase Fixed Assets by \$47,000 and fund \$20,000 in related EDM costs for total project cost of \$67,000	
Total	\$69,802	\$37,000			

Summary of Recommendations: The recommendations will increase overall department appropriations by \$69,802 funded by a \$32,802 transfer from Appropriations for Contingencies to fund seven months of the cost of the new Legal Clerk III position and \$37,000 from Justice Public Facility Fee revenue. The recommendations include use of \$30,000 in existing appropriations to fund the District Attorney's electronic document management project and \$3,211 for the Supervising Legal Clerk reclassification. One Supervising Legal Clerk I position will be reclassified and block-budgeted to Supervising Legal Clerk II and one Legal Clerk III position will be added, increasing the total allocated positions to 128.

INTEGRATED COUNTY JUSTICE INFORMATION SYSTEM (ICJIS): On September 26, 2007 the ICJIS Commission heard a request from the District Attorney's Office for assistance in funding the Department's Electronic Document Management project. The Commission discussed various options including reducing the ICJIS charges to the District Attorney's Office in order for the Department to transfer appropriations to fixed assets. The Commission is requesting that the ICJIS Project revenues be reduced by \$30,000 to allow the District Attorney's Office to utilize those appropriations to purchase necessary equipment to implement their Electronic Document Management project. This request will be funded with the increased use of retained earnings available in the ICJIS fund.

Budget Unit	Requested		Funding Source	Description	Staffing
	Appropriations	Revenue/Fund Balance			
ICJIS		\$(30,000)	Retained Earnings	Reduced charges to DA	
Total		\$(30,000)			

Summary of Recommendations: It is recommended to reduce the Integrated County Justice Information System's revenue by \$30,000 in order to assist the District Attorney's Office in implementing their Electronic Document Management project. This recommendation will be funded with Department retained earnings.

SHERIFF - ADMINISTRATION: In the Fiscal Year 2006-2007 Mid-year Budget the Department requested a classification study of one Software Developer Analyst III position.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/Fund Balance			
Administration	-0-	-0-		Reclassify one Software Developer Analyst III position	Senior Software Developer Analyst

Summary of Recommendations: One Software Developer Analyst III position will be upgraded to a Senior Software Developer, maintaining the total allocated positions of 34. This position will serve as a project manager supporting complex software development and analysis. The fiscal impact for 8.5 months remaining of this fiscal year is approximately \$2,700, and \$3,800 annually. The Department will absorb the additional fiscal impact in their existing budget.

SUMMARY

Overall, estimated revenue and expenditures, at the First Quarter point for 2007-2008, for the Board of Supervisors priority area of *A safe community* are recommended to increase \$129,000 and \$294,802 respectively. A total of \$32,802 is recommended to be transferred from Appropriations for Contingencies, for addition of a Legal Clerk III. The ICJIS fund will reflect a \$30,000 increased use of retained earnings and Animal Service will reflect a \$103,000 use of fund balance.



A healthy community

COUNTY DEPARTMENTS

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

A healthy community

OVERVIEW

The Board of Supervisors priority area of *A healthy community* is vital to the quality of life for County residents. The departments assigned to this priority area are focused on protecting and promoting the health and well being of County residents including preventing disease, disability and death. Protecting emotional safety focuses on the social problems that include homelessness, incarceration and fragmented families with financial and emotional needs. The departments assigned to this priority area include: Area Agency on Aging and Veterans' Services, Behavioral Health and Recovery Services, Child Support Services, the Community Services Agency and the Health Services Agency. The major funding sources for these programs include Federal and State funding and, where required, local discretionary funds are used primarily to match other governmental funding in support of these programs.

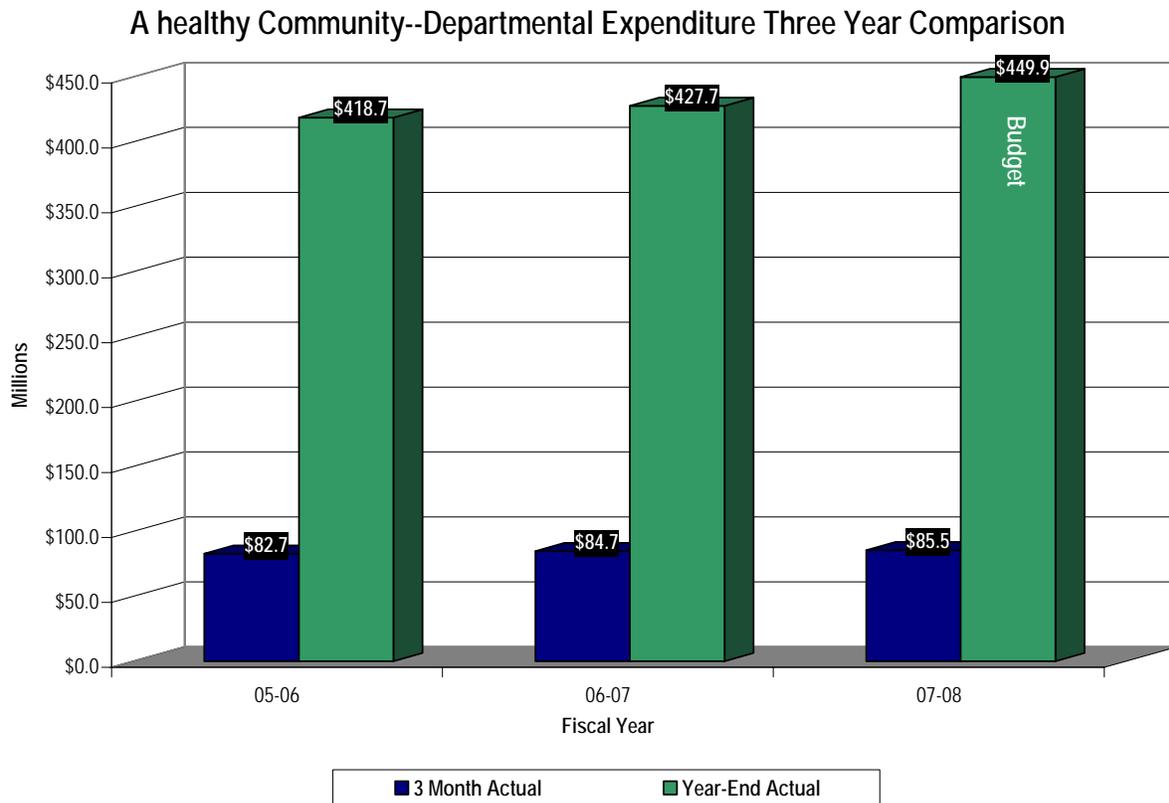
DEPARTMENTAL EXPENDITURES

As of September 30, 2007, expenditures for the departmental budgets that fall under the Board of Supervisors priority area of *A healthy community* are at \$85.5 million compared to \$84.7 million for the same period one year ago. This amount represents 19% of the 2007-2008 adjusted budget. Typically, expenditures at this point of the fiscal year ranges anywhere from 18.1% to 18.3% of the total yearly expenditures, placing this year slightly over the two year average.

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

- ◆ A \$1.9 million net increase in the Community Services Agency's budget units. This increase is primarily due to the addition of 11 new positions in the Services and Support budget and an increase in assistance payments in Public Economic Assistance, funded by Realignment, State and Federal funding;
- ◆ A \$2 million net decrease in the Behavioral Health and Recovery Services' budget units. This decrease is primarily due to reduced patient volume at the Stanislaus Behavioral Health Center during the transition period from County-owned to private ownership as authorized by the Board of Supervisors on August 21, 2007 and finalized on October 23, 2007; and
- ◆ A \$900,000 net increase in the Health Services Agency's budget units. This increase is primarily due to increased Medically Indigent Adult (MIA) Program utilization and the reflection of the long term debt repayment in the 2007-2008 budget.

The following chart shows a three year period of departmental expenditures, including the current year, for the departments assigned to the Board of Supervisors priority area of *A healthy community*.



DEPARTMENTAL REVENUE

As of September 30, 2007 revenue for the departmental budgets that fall under the Board of Supervisors priority area of *A healthy community* are at \$54.9 million compared to \$56.1 million for the same period one year ago. This amount represents 12.4% of the 2007-2008 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 12.2% to 12.3% of the total year collections, placing this year slightly over the two year average.

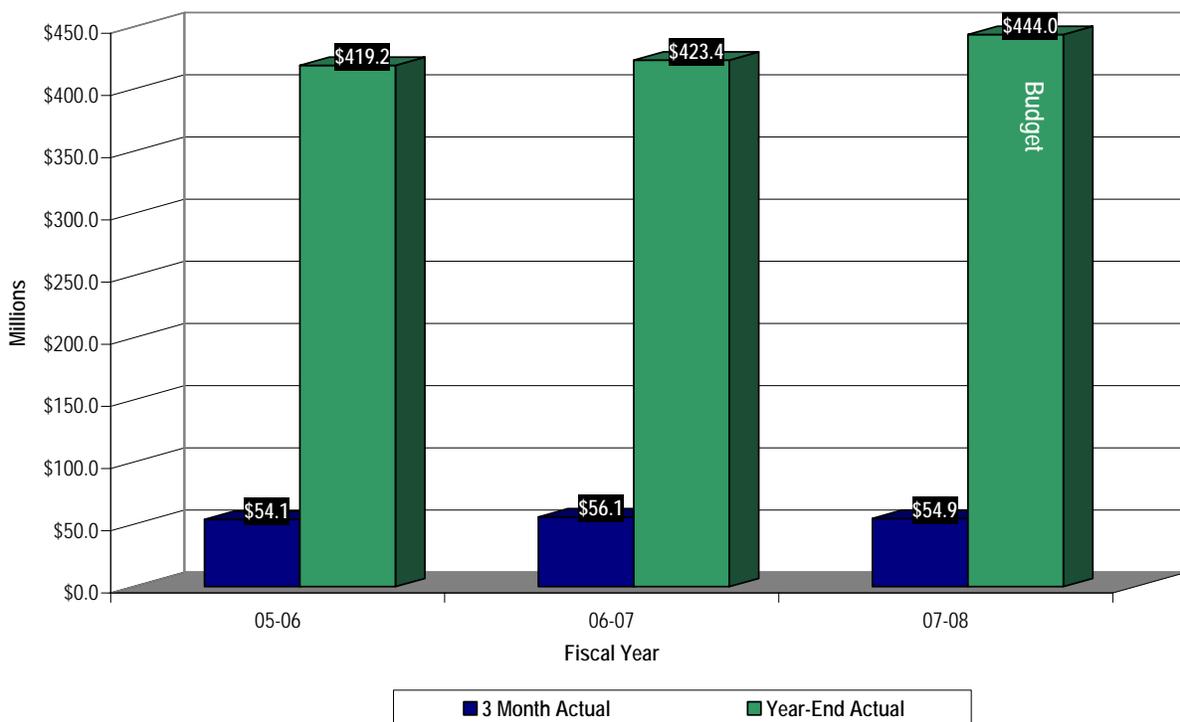
Some of the significant variations in departmental revenue this year, compared to the same time period one year ago include:

- ◆ A \$800,000 net increase in revenue for the Community Services Agency's budget units. This increase is primarily due to increased funding for services related to the In-Home Supportive Services Program and Public Economic Assistance benefit payments;
- ◆ A \$500,000 net decrease in revenue for Area Agency on Aging's budget units. This decrease is primarily due to timing of receipt of State and Federal revenues;
- ◆ A \$1.2 million net decrease in revenue for the Children and Families Commission budget unit. This decrease is primarily due to timing of receipt of State revenues;

- ◆ A \$3.5 million net decrease in revenue for the Behavioral Health and Recovery Services' budget units. This decrease is primarily due to reduced patient volume at Stanislaus Behavioral Health Center and timing of receipt of State Substance Abuse and Crime Prevention Act (SACPA) funds; and
- ◆ A \$3.2 million net increase in revenue for the Health Services Agency's budget units. This increase is primarily due to increased State and Federal funding for Public Health programs and the transfer of funds from Risk Management Professional Liability fund balance to Clinics and Ancillary Services and Public Health Divisions to appropriately account for medical malpractice insurance costs.

The following chart shows a three year period of departmental revenue, including the current year, for the departments assigned to the Board of Supervisors priority area of *A healthy community*.

A healthy community--Departmental Revenue Three Year Comparison



ISSUES AND RECOMMENDATIONS

BEHAVIORAL HEALTH & RECOVERY SERVICES – Prop 63: The Department is requesting to reclassify one vacant Mental Health Clinician II position as a result of the Stanislaus Behavioral Health Center (SBHC) transition.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/Fund Balance			
BHRS – Prop 63	-0-	-0-		Reclassify one Mental Health Clinician II position	Psychiatric Nurse II

Summary of Recommendations: One Mental Health Clinician II position will be upgraded to a Psychiatric Nurse II position, maintaining the total allocated positions of 50. There is no additional fiscal impact associated with this reclassification.

COMMUNITY SERVICES AGENCY: Since 2000-2001 social services programs in the State of California have not been funded for the increased annual cost of doing business. The California Welfare Director's Association (CWDA) estimates the total impact of this unfunded business cost to be approximately \$793.2 million statewide through the Fiscal Year 2006-2007 budget year. Locally, the Community Services Agency (CSA) has accommodated this lost revenue by employing all leveraging options, braiding funding streams to support services, mitigating cost increases within the Agency's control and implementing program efficiencies. The Agency has reached a point where it is unable to mitigate these losses any longer, without service level reductions. This is the issue that affected Adult Protective Services in the current year budget process; this is an issue that will begin to affect social services programs particularly in the Adult area where funding augmentations for service have not been provided, including In Home Supportive Services Case Management and the Multipurpose Senior Services Program. The California State Association of Counties (CSAC) and CWDA will continue to address the cost of doing business (CODB) in the next budget process and local decisions regarding program reductions or alternate revenue streams may be required.

CSA supports a significant number of partnership projects both at the County Department level, as well as with numerous community-based organizations. The Agency has been able to engage in these partnerships through collaborative financing strategies that leverage State allocations and maximize contributions of local county share. Given the changing funding environment and tightening of resources, certain partnerships may need to be revisited or even re-chartered for sustainability into the future. CSA is committed to working with its partners to mitigate funding shortfalls, and will work diligently to provide as much advance notice as possible prior to the Fiscal Year 2008-2009 budget development should financial plans require adjustment.

CSA Services and Support

The Adult Protective Services (APS) Program, a state-mandated but County operated program, was implemented in Fiscal Year 2000-2001. While the program has been in operation, the funding has been flat-funded or funded with no cost of living increases. This year, the State Legislature approved a supplemental allocation of \$12 million state-wide for Adult Protection Services; however, the Governor subsequently vetoed this APS Program increase, resulting in insufficient funding at the local level to support the current level of operation. The total funding loss to Stanislaus County equates to \$337,447 of which, approximately \$220,000 is State funding that leverages Federal funding of \$117,447. In the absence of additional local funding, a program reduction in APS would be required, including a reduction in Social

Workers assigned to APS, as well as the loss of critical contracts and support services provided by the District Attorney's Office, Catholic Charities for support of the Stanislaus Elder Abuse Prevention Alliance and California Rural legal Assistance. This significant service level reduction would mean that APS could not investigate all the reports of abuse and neglect that are received as currently mandated by the State. In order to mitigate this service level reduction in the current fiscal year, CSA has worked with CEO staff to develop a one year balancing strategy as follows:

- ◆ One Social Worker position will remain vacant and unfunded as a result of a retirement, a savings of approximately \$60,950; and
- ◆ Fund Balance of \$150,352 previously set aside for future year IHSS Program growth will be utilized in the current year to sustain APS.

These efforts offset the \$211,302, which is the current estimated requirement to balance APS in this First Quarter Budget. As this solution is a one year strategy CSA will work closely with the CWDA and the County legislative team to continue to raise the importance of full funding for APS at the State level in future budget years.

The Agency has decreased its projection of the Stanislaus County C-IV Project costs by \$20,097 as a result of final State budget authorization; the revised estimate is \$5,999,604. Additionally, new claiming requirements related to the support of the C-IV Joint Powers Authority (JPA) required that we increase our operating overhead for C-IV by \$27,388, for an overall increase of \$7,291 for the C-IV Project.

New features of the C-IV automation system allow for training of StanWORKs staff to be dispersed and offered in multiple locations. The StanWORKs training plan has been changed to accommodate more trainees within existing facilities. As a result, costs previously budgeted to support development of a new StanWORKs training site estimated at \$292,925 have been removed from this budget.

A work team comprised of Community Services Facility partners has been established to evaluate current utilization of the Hackett Road facility, as well as current operating outstation support. CEO staff is taking the lead to identify next steps in procuring a space study to assist in long-term planning of facility needs for all affected agencies. Talks are underway to create an outstation in Riverbank and at this point funding may not be needed in 2007-2008. The Agency is requesting to decrease appropriations by \$262,921 to reflect the delayed start-up of the new outstation. This reduction in facility space costs is partially offset by the need to extend the existing lease at the Community CASA in order to continue to provide support to Agency customers in the Riverbank/Oakdale area, a total of \$5,400.

CSA Public Economic Assistance

Caseload in CalWORKs has grown faster in the prior six months than originally projected during the Proposed Budget analysis. Recent trends in the State and local economy contribute to this growth which CSA anticipates to continue through the balance of the fiscal year. An increase in appropriations of \$1,682,573 is requested for CalWORKs – All Other Families. This increase represents caseload growth and two months of COLA. Caseload is expected to average 8,760 per month, a 2.4% increase over the FY 2007-2008 Final Budget forecast level of 8,555. July and August 2007 average grant increased from \$526.20 to \$548.35 due to a 4.21% COLA.

Additionally, an increase in appropriations of \$909,095 is requested for CalWORKS – Two Parent Families. This increase represents caseload growth and two months of COLA. Caseload is expected to average 1,066 per month, an 11% increase over the Fiscal Year 2007-2008 Final Budget forecast level of 960. July and August 2007 average grant increased from \$667.59 to \$695.70 due to a 4.21% COLA.

The State Budget approved a 5% Cost-of-Living (COLA) adjustment effective January 1, 2008 for Foster Care, Adoptions Assistance, and Kinship Guardianship Assistance Program (Kin-GAP) payments to providers (excludes Foster Family Agency's). An increase in appropriations of \$193,464 is requested for Foster Care. Additionally, an increase in appropriations of \$3,264 is requested for the Adoption Assistance Program (AAP). Finally, an increase in appropriations of \$8,733 is requested for Kin-GAP.

In the CSA-Public Economic Assistance budget, an increase in appropriations of \$128,436 is requested in Operating Transfers out to the CSA-General Assistance budget, and a decrease in appropriations of \$279,217 is requested in Operating Transfers out to the CSA-Services and Support budget. The remaining balance of \$151,362 will be used to fund the increase in county share in the Public Economic Assistance budget.

CSA-General Assistance

The GA Interim Assistance caseload has grown faster in the prior six months than originally projected at Final Budget. The monthly caseload is expected to average 357, an increase of 9.1% over Final Budget caseload of 327. Recent trends in the State and local economy contribute to this growth which CSA anticipates to continue through the balance of the fiscal year. An increase in appropriations of \$128,436 is requested through an operating transfer in from the Public Economic Assistance budget unit. This increase represents caseload and grant growth experience from the last six months. The monthly caseload is expected to average 357, an increase of 9.1% over Final Budget caseload of 327. The average monthly grant estimate of \$311.43 represents an increase of 1.43% over Final Budget of \$307.04.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/Fund Balance			
CSA-Services & Support	(\$60,950)	(\$211,302)	Department Revenue	State budget impact on APS funding	
CSA-Services & Support	-0-	\$150,352	Fund Balance	One-time funds for APS Program	
CSA-Services & Support	\$7,291	\$7,291	Department Revenue	C-IV Project costs	
CSA-Services & Support	(\$292,925)	(\$292,925)	Department Revenue	New training site costs eliminated	
CSA-Services & Support	(\$257,521)	(\$257,521)	Department Revenue	New outstation costs eliminated	

	<i>Recommended</i>				
CSA-Public Economic Assistance	\$2,591,668	\$2,591,668	Department Revenue	CalWORKS caseload growth	
CSA-Public Economic Assistance	\$205,461	\$205,461	Department Revenue	COLAs for Foster Care, Adoption Assistance and Kin-GAP	
CSA-Public Economic Assistance	(\$151,362)	(\$151,362)	Department Revenue	Decrease in Operating Transfers out	
CSA-General Assistance	\$128,436	\$128,436	Department Revenue	Interim Assistance caseload growth	
Total	\$2,170,098	\$2,170,098			

Summary of Recommendations: The recommendations will increase overall department appropriations by \$2,170,098 and estimated revenue by \$2,019,746 and the balance of \$150,352 will be funded by departmental fund balance.

HEALTH SERVICES AGENCY: As the Health Services Agency entered the third year, the Board of Supervisors approved the three year Strategic Plan, it faced a significant financial challenge, both in its operating budget and in its cash position. The 2007-2008 Proposed Budget for the Clinics and Ancillary Services Division, which included a General Fund contribution of approximately \$4.4 million, reflected an unfunded shortfall of \$12.6 million for which funding was not identified. Based on the significance of the shortfall, a strategic planning team was formed and was made up of staff from the Chief Executive Office, Health Services Agency and HFS Consultants. The team was charged with identification of initiatives to address the shortfall via revenue enhancements and/or cost savings. An initial plan has been completed and estimated to resolve the annual operating shortfall. Some of the significant recommendations that are included in the plan are: redesign the workflow in the Pharmacy estimated to save \$520,000 annually, create an MIA formulary estimated to save \$1,000,000 annually, implement Open Access/Same Day Scheduling estimated to enhance revenues by \$1,000,000 annually and staffing efficiencies estimated to save \$500,000 annually.

On September 11, 2007 the plan, which encompassed more than 50 initiatives, was presented and approved by the Board of Supervisors, at which time a hearing for October 16, 2007 was scheduled for the recommendations that required a public hearing. On October 16, 2007, those recommendations that required a public hearing – reduction in Urgent Care service capacity, elimination of Clinical Laboratory services, reduction in Radiology services and the reduction in the maximum income level for eligibility to the Medically Indigent Adult Program – were presented and approved by the Board of Supervisors.

In addition, on September 24, 2007, the County received final approval that seven of the County's clinics received Federally Qualified Health Center Look-Alike designation. HFS Consultants estimates that this

status will result in approximately \$6.4 million of additional revenue due to increased reimbursements for primary and urgent care services provided in the clinics.

Clinic & Ancillary budget (includes MIA)	2007-2008 Annualized Projections
Estimated shortfall	\$17.0 million
Planned General Fund contribution	\$4.4 million
Adjusted shortfall	\$12.6 million
FOHC-LA Net impact	\$6.4 million
Remaining shortfall	\$6.2 million

While the team has identified over fifty initiatives, currently only twenty have been implemented and/or are significantly in progress and are estimated to increase revenues and reduce costs by over \$6 million annually. However, since 2007-2008 is underway, the value of these initiatives have been prorated based on date of planned implementation. The requested budget adjustments are:

- ◆ Increase Patient Revenue by \$6,404,206
- ◆ Increase Salaries and Benefits by \$495,047
- ◆ Increase Services and Supplies by \$8,372,000
- ◆ Increase Other Charges by \$1,726,814

Based on the requested budget adjustments, the Clinics and Ancillary budget's 2007-2008 remaining shortfall is projected to be \$4,189,655. The full year equivalent savings from the initiatives suggest the Agency will submit balanced budgets in the future beginning with 2008-2009. The Agency considers this a one-time augmentation from the General Fund.

Total Strategic Plan and Additional General Funds through First Quarter 2007-2008		
2005-2006	2006-2007	2007-2008
\$5,322,575	\$9,796,388	\$13,305,741

The remaining thirty plus initiatives are being analyzed for feasibility and the fiscal impact to operations. It is planned that the remaining initiatives will be brought to the Board of Supervisors for approval during the winter.

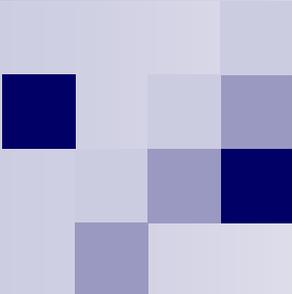
The Department is requesting to laterally classify one vacant Software Developer Analyst II position to an Application Specialist III to lead the help desk activities in Administration. In addition, the Department has requested to reclassify one vacant Manager II position assigned to Indigent Health Care to a Staff Services Analyst to support the Department's programs, increased reporting analysis, and lead responsibilities.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/Fund Balance			
HSA Clinics & Ancillary Services	\$10,593,861	\$6,404,206	Patient Revenue	Revenue Enhancements from FOHC-LA and cost efficiencies	
HSA Clinics & Ancillary Services	-0-	\$4,189,655	Appropriations for Contingencies	Increase to County Match to eliminate 2007-2008 operating deficit	
HSA Administration	-0-	-0-		Reclassify one Software Developer Analyst II position	Application Specialist III
HSA Indigent Health Care	-0-	-0-		Reclassify one Manager II position	Staff Services Analyst
Total	\$10,593,861	\$10,593,861			

Summary of Recommendations: The recommendations will increase overall department appropriations and estimated revenues by \$10,593,861, including \$6,404,206 in departmental revenue and \$4,189,655 from Appropriations for Contingencies that will be transferred through the County Match budget to eliminate the remaining 2007-2008 operating deficit in the Clinics and Ancillary Services Division. Additionally, one Software Developer Analyst II position will be reclassified laterally to Application Specialist III, and one Manager II position will be reclassified downward to Staff Services Analyst, maintaining the Department's total allocated positions of 647.

SUMMARY

Overall, estimated revenue and expenditures for *A healthy community* are recommended to increase \$12,613,607 and \$12,763,959, respectively and use of departmental fund balance of \$150,352. The revenue increase includes a \$4,189,655 County Match increase through a recommended transfer from Appropriations for Contingencies to fund the Health Services Agency's remaining 2007-2008 operating deficit in the Clinics and Ancillary Services Division. The additional projected revenue adjustments are from increased State funding for increased program costs.



A strong local economy

COUNTY DEPARTMENTS

Alliance WorkNet
CEO-Economic Development
Library

A strong local economy

OVERVIEW

The Board of Supervisors priority area of *A strong local economy* recognizes the role that County government can play in creating a local economy that promotes, protects and sustains our agricultural economies while providing for broader, more diversified economic opportunities that will strengthen our local economy and provide for a better, more stable, quality of life for our residents. Job creation, promoting tourism and providing a solid information technology infrastructure to support E-government are key aspects of *A strong local economy*. Departments assigned to this priority area include: Alliance WorkNet, Chief Executive Office-Economic Development and the Library. The Alliance WorkNet major funding source are Federal funds, while the Library is support by a special 1/8 cent sales tax and a contribution from the General Fund. The majority of funding for the County's Economic Development budgets comes from the County's General Fund.

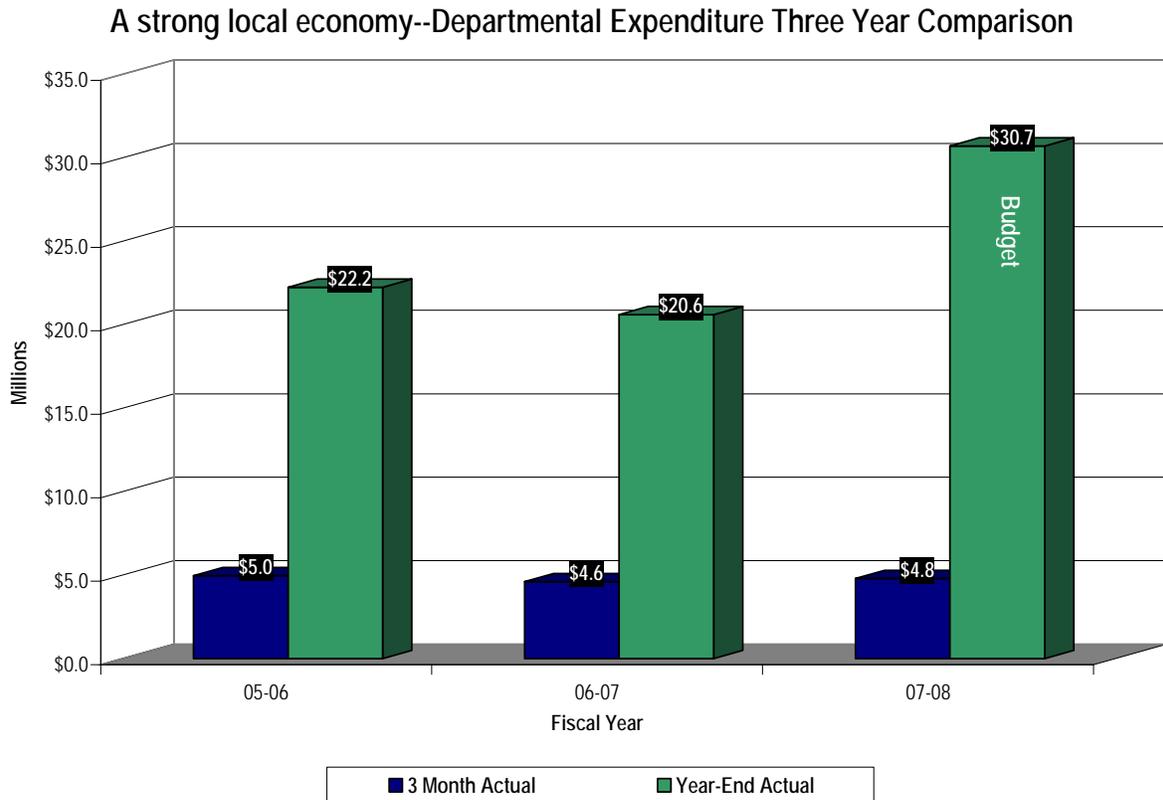
DEPARTMENTAL EXPENDITURES

As of September 30, 2007, expenditures for the departmental budgets that fall under the Board of Supervisors priority area of *A strong local economy* are at \$4.8 million compared to \$4.6 million for the same time period one year ago. This amount represents 15.6% of the 2007-2008 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 15.1% to 22.2% of the total yearly expenditures, placing this year within budgeted estimates.

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

- ◆ A \$1.1 million increase in the Alliance Worknet budget which reflects an increase in Federal funding through the Workforce Investment Act (WIA); and
- ◆ A \$891,000 decrease in the Alliance Worknet StanWORKS budget which reflects a decrease in charges for services.

The following chart shows a three year period of departmental expenditures, including the current year, for the departments assigned to the Board of Supervisors priority area of *A strong local economy*:



DEPARTMENTAL REVENUE

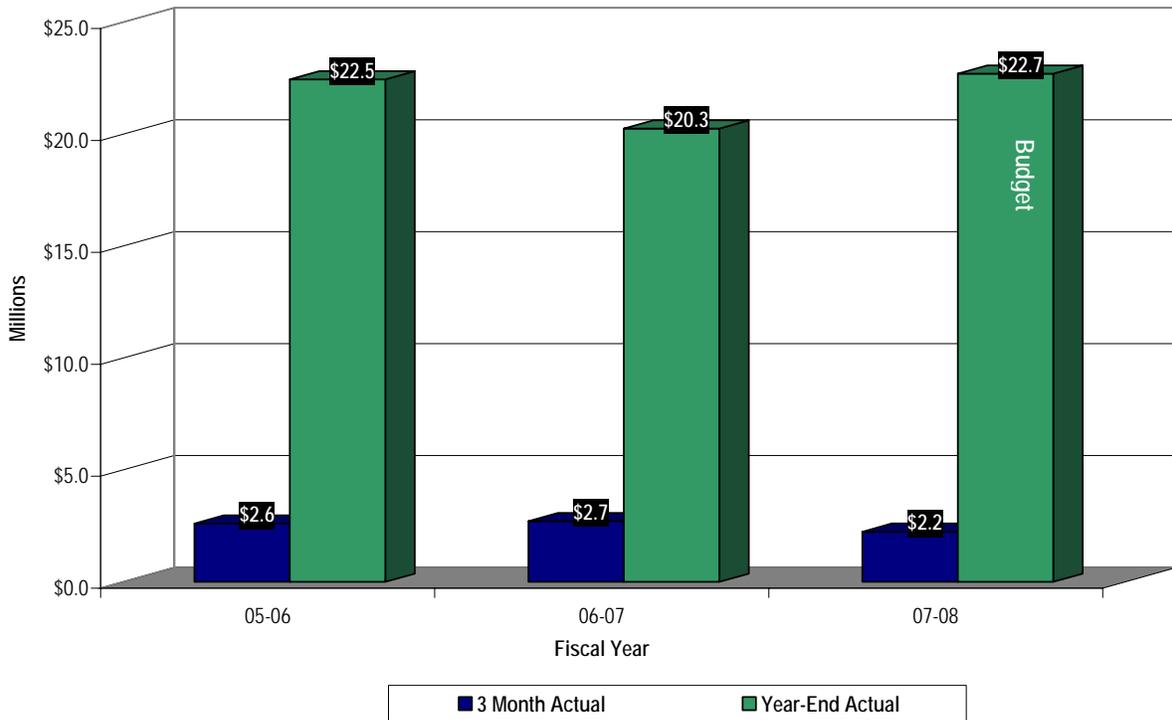
As of September 30, 2007, revenue for the departmental budgets that fall under the Board of Supervisors priority area of *A strong local economy* are at \$2.2 million compared to \$2.7 million for the same time period one year ago. This amount represents 9.9% of the 2007-2008 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 11.6% to 13.4% of the total year collections, placing this year slightly lower than prior years.

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

- ◆ A decrease of funding from the State's Workforce Investment Act.

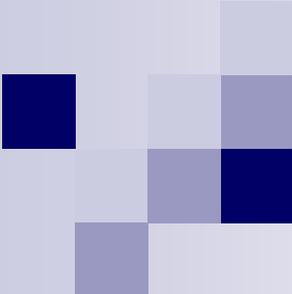
The following chart shows a three year period of departmental revenues, including the current year, for the departments assigned to the Board of Supervisors priority area of *A strong local economy*.

A strong local economy--Departmental Revenue Three Year Comparison



SUMMARY

Overall, estimated revenue and expenditures for the Board of Supervisors priority area of *A strong local economy* will meet budget at year-end. There are no recommended changes for this priority area.



A strong agricultural economy/heritage

COUNTY DEPARTMENTS

Agricultural Commissioner
Cooperative Extension

A strong agricultural economy/heritage

OVERVIEW

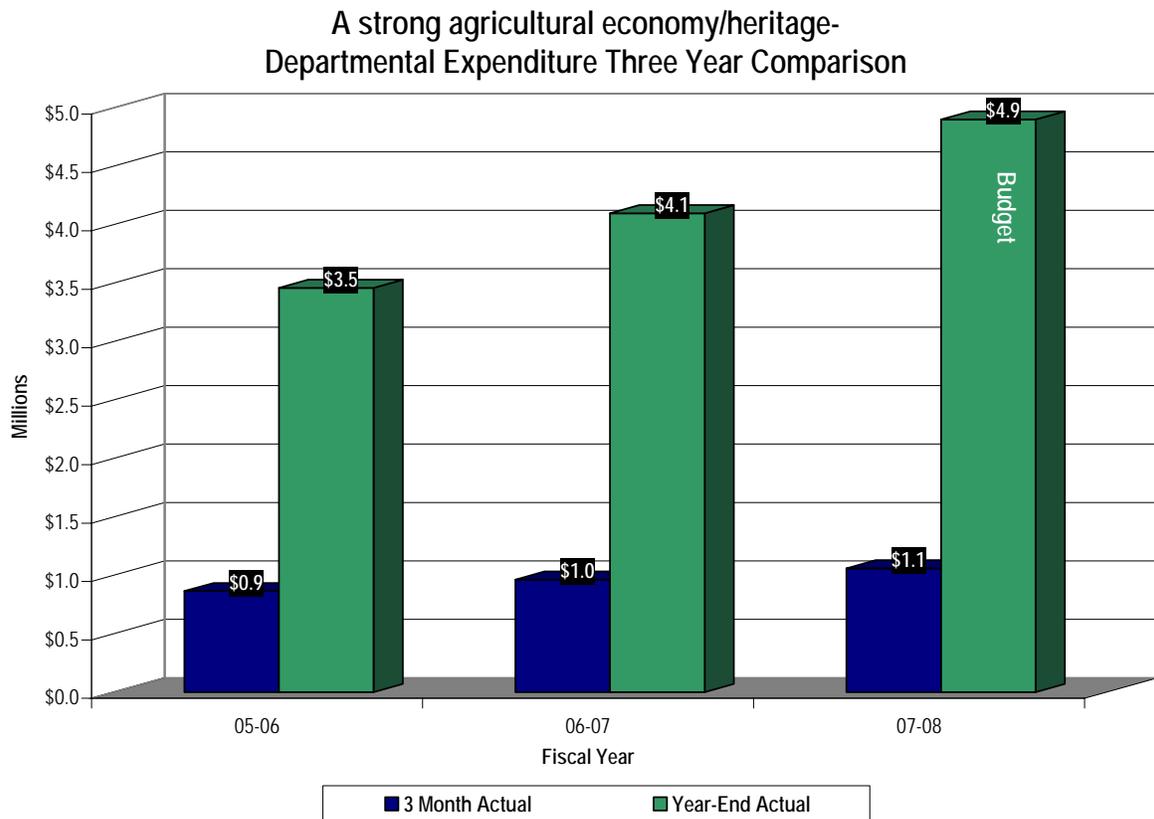
The Board of Supervisors priority area of *A strong agricultural economy/heritage* recognizes the vital role of the County's number one industry that generates close to \$2 billion a year serves for County residents. Farmland conversion, air pollution, soil salinity and drainage, agricultural water supply and water quality and preservation of our unique agriculture heritage are key aspects of *A strong agricultural economy/heritage*. Departments assigned to this priority area include: the Agricultural Commissioner's Department and Cooperative Extension. The major funding source for these County budgets include contributions from the General Fund. The Agricultural Commissioner receives State funding for a number of programs as well as charges for specific services. While not part of the County budget Cooperative Extension's University of California advisors are funded through the State university system.

DEPARTMENTAL EXPENDITURES

As of September 30, 2007, expenditures for the departmental budgets that fall under the Board of Supervisors priority area of *A strong agricultural economy/heritage* are at \$1.1 million compared to \$962,269 for the same time period one year ago. This amount represents 21.6% of the 2007-2008 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 23.5% to 25% of the total yearly expenditures, placing this year slightly lower than prior years.

The variance is due to additional appropriations related to increased staffing in the 2007-2008 Proposed Budget. These positions remained vacant until September resulting in a lower percentage of the adjusted budget for expenditures.

The following chart shows a three year period of departmental expenditures, including the current year, for the departments assigned to the Board of Supervisors priority area of *A strong agricultural economy/heritage*:



DEPARTMENTAL REVENUE

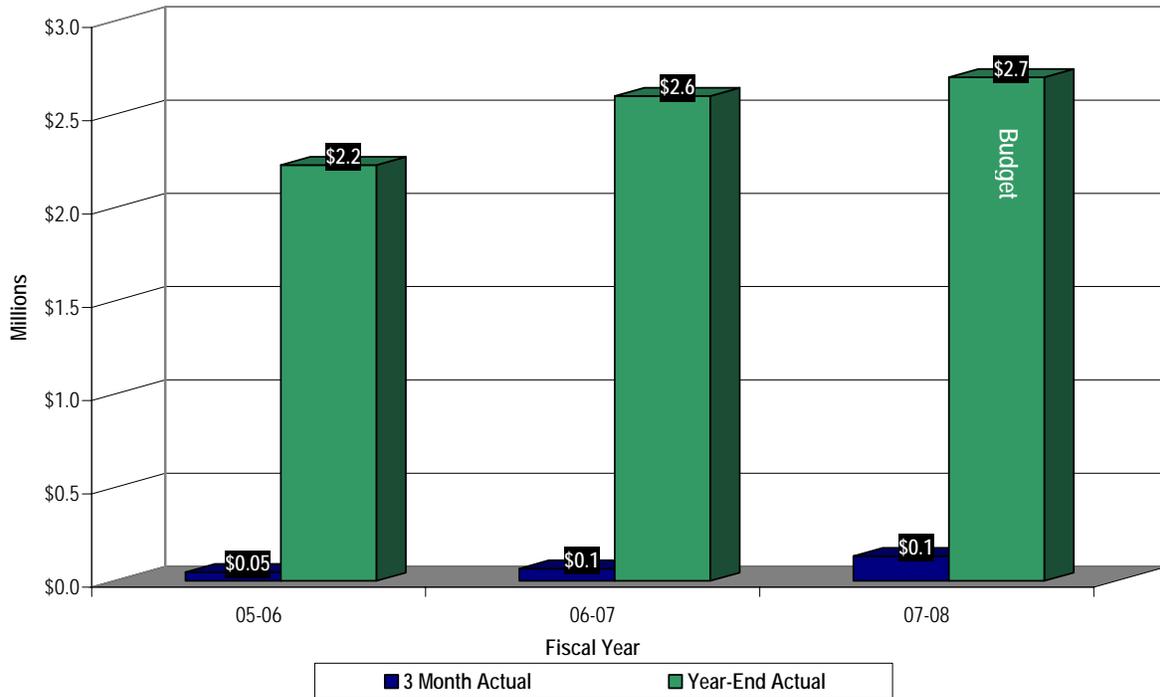
As of September 30, 2007, revenue for the departmental budgets that fall under the Board of Supervisors priority area of *A strong agricultural economy/heritage* are at \$133,243 compared to \$66,321 for the same time period one year ago. This amount represents 4.8% of the 2007-2008 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 2.1% to 2.6% of the total year collections, placing this year above prior years.

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

- ◆ The Agricultural Commissioner’s Department achieving improved timeliness of billing for services.

The following chart shows a three year period of departmental revenue, including the current year, for the departments assigned to the Board of Supervisors priority area of *A strong agricultural economy/heritage*:

**A strong agricultural economy/heritage--
Departmental Revenue Three Year Comparison**



SUMMARY

Overall, estimated revenue and expenditures for *A strong agricultural economy/heritage* will meet budget at year-end. There are no recommended changes for this priority area.



A well-planned infrastructure system

COUNTY DEPARTMENTS

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

A well-planned infrastructure system

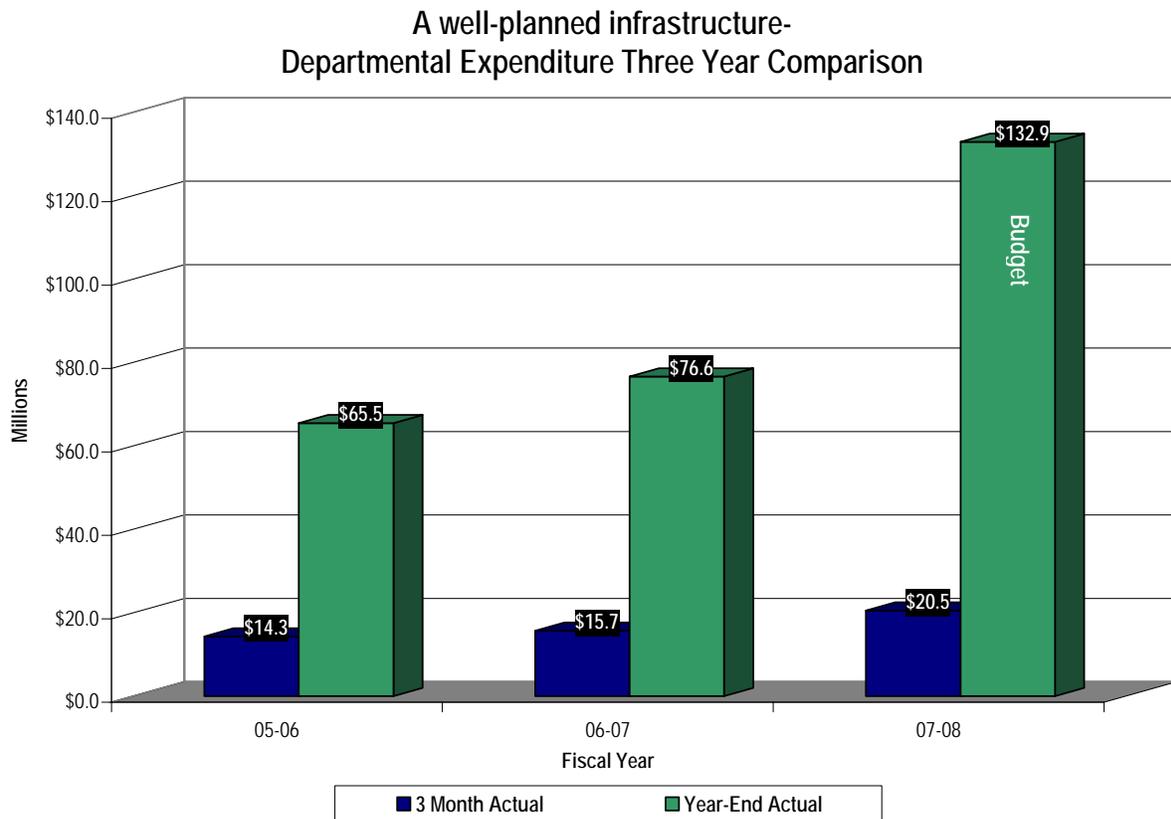
OVERVIEW

The Board of Supervisors area of *A well-planned infrastructure system* is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal and regional approaches to transportation circulation are critical to *A well-planned infrastructure system*. Departments assigned to this priority area include: Environmental Resources, Parks and Recreation, Planning and Community Development and Public Works. Environmental Resources is supported primarily through fees and charges for services that are provided. The General Fund primarily funds the Parks and Recreation Department and Planning and Community Development Department. The Public Works Department primary sources of funding are derived from charges for services and State and Federal funding for transportation and roads.

DEPARTMENTAL EXPENDITURES

As of September 30, 2007, expenditures for the departmental budgets that fall under the Board of Supervisors priority area of *A well-planned infrastructure system* are at \$20.5 million compared to \$15.7 million for the same time period one year ago. This amount represents 15.4% of the 2007-2008 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 20.4% to 21.9% of the total yearly expenditures, placing this year lower than prior years. The variance is due, in large part to a change in budgeting approach. Historically, the Public Works Department has brought Road's projects to the Board of Supervisors on an individual basis. In the 2007-2008 Proposed Budget, the Department included all anticipated Road's projects, increasing the overall budget considerably in a year over year appropriation level.

The following chart shows a three year period of departmental expenditures, including the current year, for the departments assigned to the Board of Supervisors priority area of *A well-planned infrastructure system*:



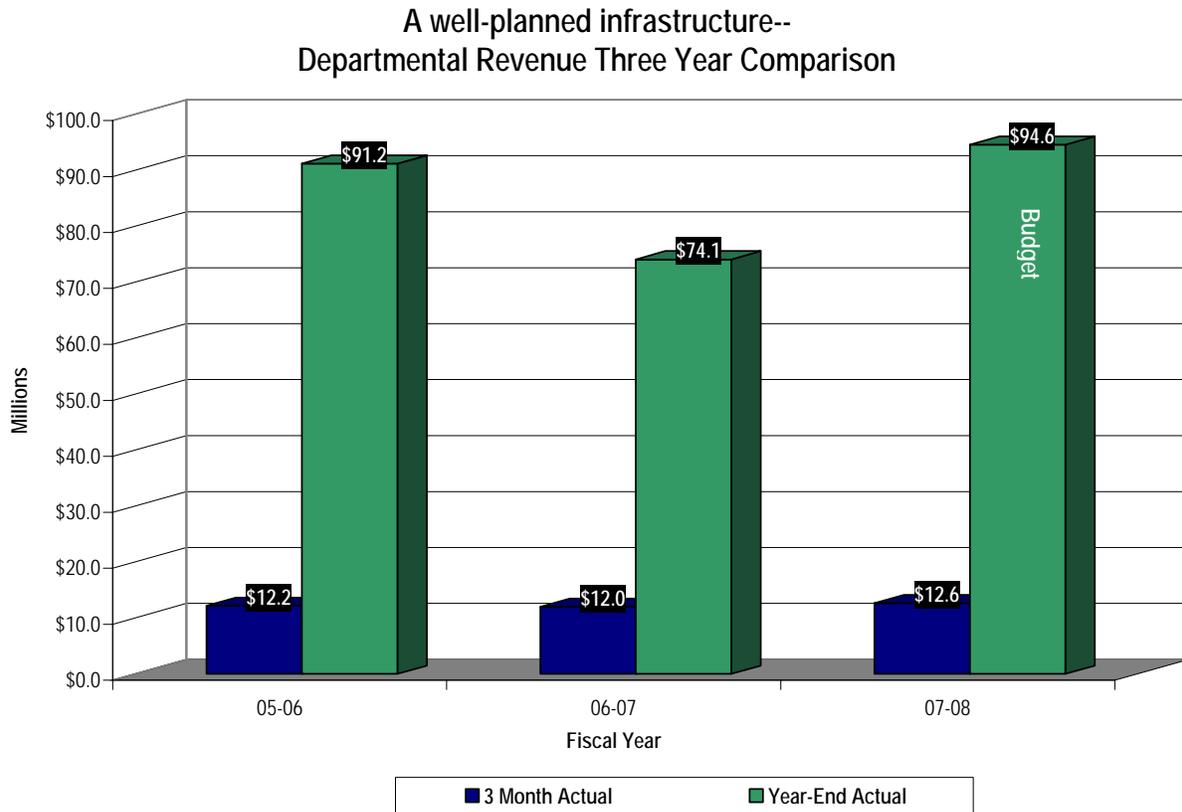
DEPARTMENTAL REVENUE

As of September 30, 2007, revenue for the departmental budgets that fall under the Board of Supervisors priority area of *A well-planned infrastructure system* are at \$12.6 million compared to \$12 million for the same time period one year ago. This amount represents 13.3% of the 2007-2008 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 13.4% to 16.2% of the total year collections, placing this year slightly lower than prior years.

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

- ◆ Local Transportation Fund transit payments have historically been received by September of each fiscal year, however in 2007-2008 Fiscal Year, payments weren't received until October; and
- ◆ The Public Works Department has yet to receive Prop 1B funding from the State of California.

The following chart shows a three year period of departmental revenue, including the current year, for the departments assigned to the Board of Supervisors priority area of *A well-planned infrastructure system*:



ISSUES AND RECOMMENDATIONS

PARKS & RECREATION: The Department previously requested a study of their organizational structure. The review included the Park Supervisor positions, which are responsible for managing the daily operations of the County's reservoirs and regional park facilities.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/ Fund Balance			
Parks & Recreation	-0-	-0-		Reclassify three Park Supervisor positions	Manager I

Summary of Recommendations: Three Park Supervisor positions will be reclassified upward to Manager I, maintaining the total allocated positions of 35. The level of administrative and operational responsibilities for three of the of the Park Supervisor positions has increased beyond the scope of the existing job classification. The fiscal impact for the remaining eight months of this fiscal year is approximately \$6,000, and \$9,000 annually. The Department will absorb the additional fiscal impact within their existing budget.

PUBLIC WORKS – ENGINEERING: The Department has requested to add an Assistant Engineer position to perform duties related to storm water compliance requirements. Stanislaus County is required by the State of California to develop and implement a Storm Water Pollution Prevention Plan (SWPPP). One person, an Engineering Technician, is charged with the task of ensuring the County’s compliance with storm water requirements. Further technical knowledge is needed to ensure Stanislaus County’s compliance with Phase 2 of the Storm water permit from the State of California. This further technical knowledge would be provided by an Assistant Engineer. The cost of this position can be absorbed within the existing budgeted salary appropriations.

In conjunction with the above request, the Department requests to delete one Senior Engineering Technician position. This position has been vacant since March 2007 and the Department has determined that this position is no longer necessary. The cost savings of the deleted position will largely offset the requested Assistant Engineer position.

Budget Unit	<i>Recommended</i>		Source	Description	Staffing
	Appropriations	Revenue/ Fund Balance			
Engineering				Perform duties related to storm water compliance requirements	Add one Assistant Engineer position
Engineering					Delete one Senior Engineering Technician position

Summary of Recommendations: One Assistant Engineer position will be added and one Senior Engineering Technician position will be deleted, maintaining the total current allocated positions at 30. The net effect of these recommendations is an increase in costs of \$4,708 for the remainder of the fiscal year and \$7,062 annually.

SUMMARY

Overall, estimated revenue and expenditures for *A well-planned infrastructure system* will meet the budget at year-end. There are no recommended funding changes for this priority area.



Efficient delivery of public services

COUNTY DEPARTMENTS

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

Efficient delivery of public services

OVERVIEW

The public expects government to be responsive to their needs and to conduct business efficiently. County departments provide services to a diverse customer base and to serve these customers efficiently it is important to consistently understand and review how to improve County services. Departments assigned to the Board of Supervisors priority area of *Efficient delivery of public services* include: Assessor, Auditor-Controller, Chief Executive Office, Clerk of the Board of Supervisors, Clerk-Recorder/Elections, County Counsel, General Services Agency, Strategic Business Technology and Treasurer-Tax Collector. The revenue used to pay for the majority of these services comes from local taxes such as property tax and sales tax, fees, franchises, charges for services, and a variety of other discretionary sources. The Clerk-Recorder is funded through charges for services provided. The General Services Agency and Strategic Business Technology's primary funding source is charging other County departments for the services they provide.

DEPARTMENTAL EXPENDITURES

As of September 30, 2007, expenditures for the departmental budgets that fall under the Board of Supervisors priority area of *Efficient delivery of public services* are at \$41.9 million compared to \$37.8 million for the same time period one year ago. This amount represents 21% of the 2007-2008 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 19% to 20% of the total yearly expenditures, placing this year slightly higher than prior years.

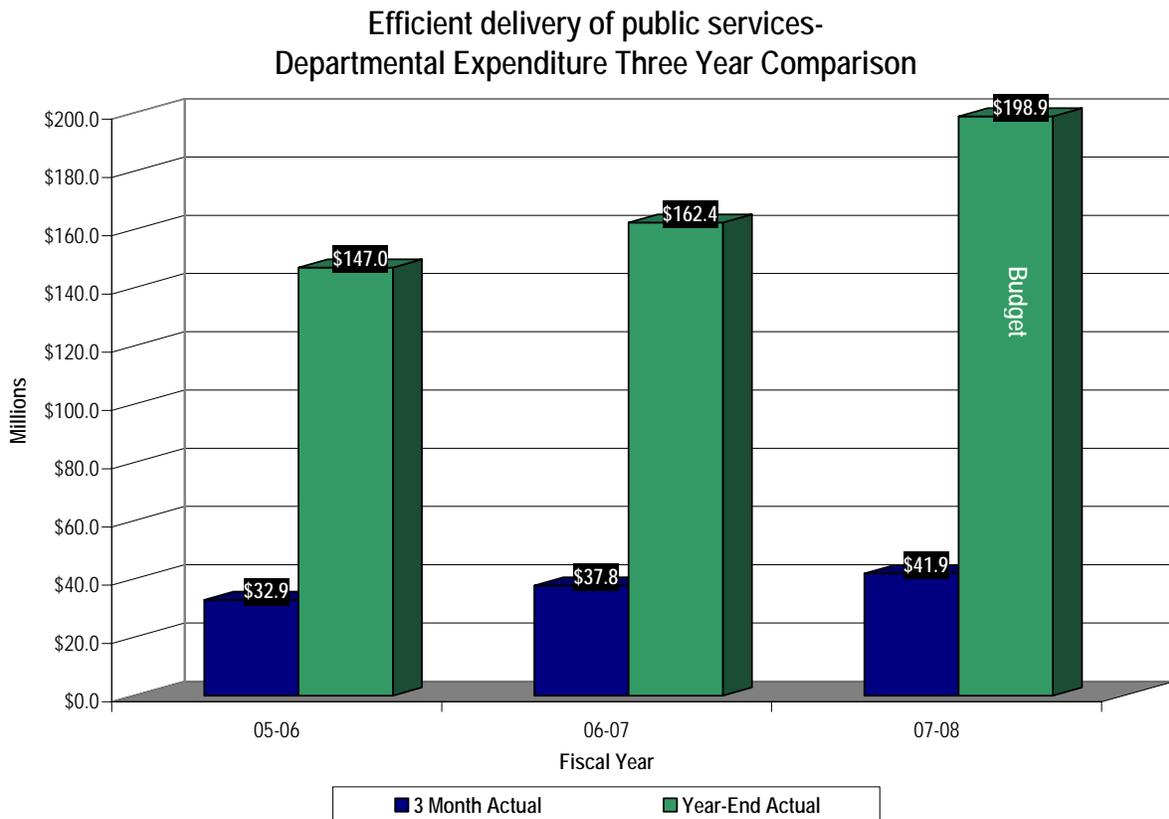
Some of the significant variations in expenditures this year, compared to the same time period one year ago include:

- ◆ A \$1.5 million increase in the CEO Risk Management Self-Insurance Purchased Insurance Fund which reflects an 18.8% increase for increased health benefits expenditures for this budget;
- ◆ A \$1.7 million increase in the CEO Risk Management Self-Insurance Professional Liability Fund which reflects increased expenditures for medical malpractice insurance for the Health Services Agency and other medical malpractice expenses that posted during the first quarter, typically posted later in prior fiscal years;
- ◆ A \$900,000 increase in the CEO Debt Service budget which reflects increased expenditures for the 2004 A & B Certificates of Participation (COP) during the first quarter of this fiscal year. The initial payments on each of the COPs were made during the 2006-2007 Fiscal Year using earnings from the capitalized interest on the additional financing of \$1.5 million approved by the Board of Supervisors on February 17, 2004. Funding for this year's payments were included in the 2007-2008 Proposed Budget;
- ◆ A \$465,000 increase in the General Services Agency Facilities Maintenance budget which reflects an increase in expenditures for maintenance of facilities and grounds, janitorial services, and utility costs. Revenues are expected to increase to offset the increase in utility charges, as these are designed as

pass-through for utility bills to be paid by a single source and reimbursed by departments benefiting from the service;

- ◆ A \$758,000 decrease in the CEO General Fund Match budget over last year due to the one time payment for prior year employee retirement costs as part of the Ventura Settlement for the Health Services Agency's portion \$1,108,022 that was funded in County Match due to their financial condition in the 2006-2007 Fiscal Year;
- ◆ A \$125,000 increase in the General Services Agency Fleet Services budget which represents increased expenditures for gasoline, oil and fuel; and
- ◆ A \$110,000 increase in the General Services Agency Administration budget which represents increased expenditures associated with establishing the new Administrative Division to support the Agency's development and support the Central Services, Facilities Maintenance, Fleet and Purchasing operations.

The following chart shows a three year period of departmental expenditures, including the current year, for the departments assigned to the Board of Supervisors priority area of *Efficient delivery of public services*:



DEPARTMENTAL REVENUE

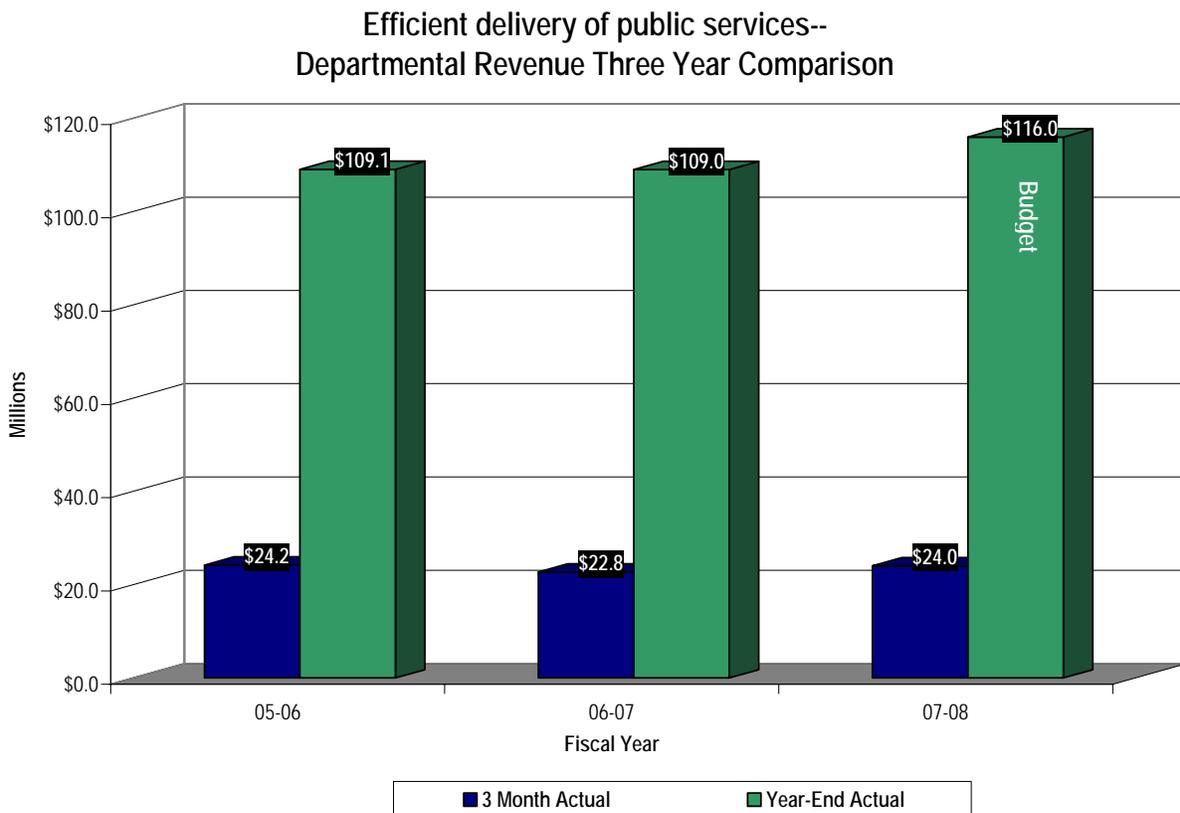
As of September 30, 2007, revenue for the departmental budgets that fall under the Board of Supervisors priority area of *Efficient delivery of public services* are at \$24.0 million compared to \$22.8 million for the same time period one year ago. This amount represents 21% of the 2007-2008 adjusted budget.

Typically, revenue at this point of the fiscal year ranges anywhere from 21% to 22% of the total year collections, placing this year on target to meet budgeted estimates.

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

- ◆ A \$1.8 million increase in the CEO Risk Management Self-Insurance Purchased Insurance Fund which represents higher premiums for medical insurance this fiscal year;
- ◆ A \$500,000 combined decrease in the CEO Operations and Services, the General Services Agency Fleet Services, and the General Services Agency Central Services Interfund revenue, which reflects a delay in receipts from the internal transfer of cash between County departments for charges for services.

The following chart shows a three year period of departmental revenue, including the current year, for the departments assigned to the Board of Supervisors priority area of *Efficient delivery of public services*:



ISSUES AND RECOMMENDATIONS

ASSESSOR: The Department is requesting a classification study of one Cadastral Supervisor position and three Cadastral Technician II positions.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/ Fund Balance			
Assessor	-0-	-0-		Reclassify one Cadastral Supervisor position and three Cadastral Technician II positions	Study

BOARD OF SUPERVISORS - CLERK OF THE BOARD: As part of the First Quarter Financial Review, the Board of Supervisors-Clerk of the Board requested to increase one-time anticipated revenues by \$20,300. The increase in revenue comes from SB 2557 funding for the Clerk of the Board's activities associated with conducting Assessment Appeal Board (AAB) meetings under the Property Tax Administration Program. This increase in revenue is a result of new claiming calculation methods which allows the Clerk of the Board to claim allowable expenses associated with conducting AAB meetings and related activities.

If a property owner disagrees with their assessed value established by the Assessor, they can appeal that value to the AAB. The AAB conducts hearings on property assessment disputes. Acting on the basis of relevant evidence submitted at the hearing, it is their role to make a fair, impartial decision on all property assessment disputes appealed between taxpayers and the Assessor. There is no fee for this service. This additional revenue will be evaluated at the end of the 2007-2008 Fiscal Year for consistency.

The Board of Supervisors-Clerk of the Board also requested an increase in appropriations to conduct three additional Assessment Appeal Board (AAB) meetings. Over the past two years market values for residential properties have declined in Stanislaus County and the decline in the residential market values have impacted the number of assessment appeal applications being filed with the Clerk of the Board's office during this fiscal year. The Clerk of the Board is requesting to increase appropriations to conduct three additional AAB meetings during the 2007-2008 Fiscal Year, with a cost of \$450 per meeting for a total cost of \$1,350.

The Board of Supervisors-Clerk of the Board requested an increase in one-time appropriations in the amount of \$1,500 to use temporary extra-help to assist with scanning and clerical activities associated with completing a Records Management Project that include the 1996-2000 legislative records of the County. The Clerk of the Board maintains accurate legislative records of Stanislaus County and provides customers access to those records.

The Board of Supervisors-Clerk of the Board requested an increase in one-time appropriations in the amount of \$4,788 to inventory approximately 684 rolls of microfilm as a component of one of their Records Management projects. This request is the first of a two-phase process of the overall project. Phase 1 consists of conducting the inventory of the historical records, and Phase II consists of restoration, converting and digitizing the legislative records of the County into a format in which they can be preserved for the future.

Budget Unit	<i>Recommended</i>		Source	Description	Staffing
	Appropriations	Revenue/ Fund Balance			
BOS-Clerk of the Board	-0-	\$20,300	AB 2557	Increase in one-time revenue	
BOS-Clerk of the Board	\$1,350		Existing Budget	Increase in one-time appropriations to conduct AAB meetings	
BOS-Clerk of the Board	\$1,500		Existing Budget	Increase in one-time appropriations for extra-help for Records Management project	
BOS-Clerk of the Board	\$4,788		Existing Budget	Increase in one-time appropriations to inventory microfilm for the Records Management Project	
Total	\$7,638	\$20,300			

Summary of Recommendations: It is recommended to increase one-time appropriations by \$7,638 to conduct three additional Assessment Appeal Board meetings, to continue projects associated with Records Management, and to increase one-time revenues by \$20,300 resulting in a reduced net county cost of \$12,662.

CHIEF EXECUTIVE OFFICE – APPROPRIATIONS FOR CONTINGENCIES: Appropriations for Contingencies serves as a contingency fund for the County to provide sufficient funding for emergencies and unanticipated expenses. Transfers from this fund require a 4/5ths vote of the Board of Supervisors. The 2007-2008 Final Budget included \$9,741,050 in appropriations for exposures such as increases in employee health insurance costs, labor related costs, costs related to the sale of the Stanislaus Behavioral Health Center, the operating deficit of the Health Services Agency Clinics and Ancillary Services Division, and other unanticipated exposures.

Through September 30, 2007, the Board of Supervisors approved one transfer, in the amount of \$8,580 to assist in funding the outside Auditor for the annual County Audit for Fiscal Year 2006-2007. At this time, it is recommended that the following transfers be made totaling \$4,222,457, which are explained in greater detail in their department narratives:

- ◆ \$4,189,655 to the Health Services Agency Clinics and Ancillary Services Division through the CEO General Fund Match budget to offset the net anticipated operating deficit for 2007-2008; and
- ◆ \$32,802 to the District Attorney Criminal budget for seven months of funding for a Legal Clerk III position.

Budget Unit	<i>Recommended</i>		Funding Source	Description
	Appropriations	Revenue/Fund Balance		
CEO – Appropriations for Contingencies	(\$4,189,655)	-0-	Existing Budget	Transfer to HSA Clinics operating deficit
CEO – Appropriations for Contingencies	(\$32,802)	-0-	Existing Budget	Transfer to District Attorney Criminal budget to fund Legal Clerk III position
Total	(\$4,222,457)	-0-		

Summary of Recommendations: A transfer of \$4,222,457, from Appropriations for Contingencies is recommended for the Health Services Agency and District Attorney leaving a remaining balance of \$5,518,593 for the remainder of the fiscal year.

CHIEF EXECUTIVE OFFICE – GENERAL FUND MATCH AND SUPPORT: In conjunction with the Final Budget on September 11, 2007, the Board of Supervisors approved several initiatives designed to reduce the estimated operating deficit of \$12.6 million in the Health Services Agency Clinics and Ancillary Services Division, and also set a public hearing for October 16, 2007 to review additional cost-saving initiatives, which were subsequently approved. At this time, the Agency is implementing all approved initiatives, which should allow the Agency to achieve a balanced budget in the next full budget year (2008-2009). However, only partial savings can be applied in 2007-2008. In addition, the Agency has budgeted estimated revenues from the designation of Federally Qualified Look-Alike status. An additional General Fund contribution of \$4,189,655 will be necessary to offset the remaining operating deficit. This is a technical adjustment to transfer funds from Appropriations for Contingencies to the Enterprise Fund.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/Fund Balance			
County Match	\$4,189,655	-0-	Appropriations for Contingencies	HSA Clinics operating deficit	
Total	\$4,189,655	-0-			

Summary of Recommendations: It is recommended that appropriations increase by \$4,189,655 to fund the HSA Clinics operating deficit for 2007-2008, to be funded from Appropriations for Contingencies.

CEO-Operations & Services: The Department is requesting to delete a vacant, unfunded Gallo Arts-Executive Director position and to delete the classification. This position was added under the terms of the operating agreement which allows the Central Valley Center for the Arts to purchase certain services, including employment services from the County at 100% of the cost to the Central Valley Center for the

Arts, not the County. One previous executive was employed contractually this way, however, this is no longer the case and the position is not needed.

Budget Unit	<i>Recommended</i>		Funding Source	Description	Staffing
	Appropriations	Revenue/ Fund Balance			
Operations & Services	-0-	-0-		Delete one Gallo Arts-Executive Director position	Delete position and classification

Summary of Recommendations: One Gallo Arts-Executive Director classification will be deleted, decreasing the total allocated positions to 46.

GALLO CAPITAL PROJECT: The Gallo Center for the Arts officially opened to the public in September of this year. As a result, the responsibility for costs associated with the operation of the building transferred to the Central Valley Center for the Arts (CVCA), who is leasing the center. The CVCA has contracted with the County to provide four basic services for the center, including landscaping, maintenance, parking, and telephones, which will be fully funded by the agency. Chief Executive Office staff is working with Department staff to establish an operating budget for these costs, which will be brought to the Board of Supervisors for approval in a subsequent financial report. One hundred percent of all operating costs are the sole responsibility of the Central Valley Center for the Arts and the County is reimbursed for these costs, except for the initial 120 days of maintenance, which ends in early 2008.

SUMMARY

Overall, estimated revenue for the Board of Supervisors priority of *Efficient delivery of public services* are recommended to increase by \$20,300 and expenditures are recommended to decrease by (\$25,164), respectively. Included in this total are two transfers totaling \$4,222,457 from Appropriations for Contingencies for the Health Services Agency and District Attorney staffing.

GENERAL FUND UPDATE

General Fund – Designations

As of first quarter, General Fund designations total \$54,610,014, as funding set aside by the Board of Supervisors for future use. There are no recommended changes to designations as part of the First Quarter Financial Report. The designations as approved by the Board of Supervisors as part of the Final Budget are reflected in the following chart:

Designation	Fiscal Year 2007-2008 Total Designations
Debt Service	\$ 11,779,459
Contingency	10,169,955
Tobacco Settlement	1,696,799
Tobacco Securitization	202,508
Restricted	1,300,000
Parks Projects (Other)	979,379
Litigation (Other)	2,757,614
Facility Mtce & Improve (Other)	1,000,000
State 1A Funding Exposure (Other)	4,516,707
Landfill Repayment (Other)	10,000,000
Carryover Appropriations (Fund 100)	6,396,329
Carryover Appropriations (Fund 105)	3,811,264
Total Designations	\$ 54,610,014

Discretionary Revenue

As of first quarter actual discretionary revenue was \$9.6 million compared to \$7.8 million for the same time period one year ago. This amount represents 5.3% of the 2007-2008 Final Budget. Typically, discretionary revenue at this point of the fiscal year from 4.4% to 6% of the total year collections excluding the 2005-2006 Fiscal Year. As of September 2005 discretionary revenue included the one-time \$9.9 million payment from the State for the Vehicle License Fees Gap Loan repayment. Based upon the final audit recommendations for that year, the entire \$9.9 million was reclassified as prior year (2004-2005) revenue and an adjustment to year-end fund balance was made. Discretionary revenue received to date is tracking ahead of last year for a number of reasons.

Some areas contributing to the differences between last year and this year are included in the following:

2002 & 2006 Tobacco Endowment Drawdown: Interest proceeds from the 2002 and 2006 Tobacco Endowment have been received and reflect an overall increase of \$988,899 over September 2006. This is primarily due to receipt of the full 12 months of interest earnings on the 2006 Tobacco Endowment this year, while as of first quarter in 2006 actual revenue reflected only three months of earnings.

Supplemental Property Taxes: Revenue received as of September 2007 reflects a total of \$790,615 while none of this revenue had been transferred to discretionary revenue at this time last year. This is an area that will be closely tracked based on the current housing market and value changes.

Sales and Use Tax: Actual revenue is ahead of last year by \$589,059. This largely reflects the difference in accruals between last year and this year and is not necessarily an indicator of increased sales tax revenue. The accrual at the end of the 2005-2006 Fiscal Year was overstated by \$451,180 which started the 2006-2007 in a negative position. The accrual at the end of the 2006-2007 was understated by \$183,975 and unlike last year is a positive contribution to Sales and Use Tax revenue in the current year. The combination of the two help explain the higher amount this year, and indicate that sales tax growth will not exceed last fiscal year.

Transfer Tax: This revenue source continues to decline and is \$100,000 below that received as of first quarter last year. This decline is exacerbated by the fact that last year reflected only two months of actual revenue, while this year reflects three months. This tax is collected by the Clerk-Recorder at the time of recording when an interest in real property is conveyed. The slow down in home sales continues to directly impact this revenue.

Prop 172 Public Safety Sales Tax: Actual revenue received as of September 2007 is \$123,869 below that received as of September 2006. Revenue for Public Safety Sales Tax is based on a county's portion of the State sales tax pool and is the basis for distribution of the additional one half cent sales tax on a Statewide basis. The pool rate is based on sales tax activity within each County and even the slightest change in the pool rate can have either a positive or negative impact on this revenue. The pool rate should be available in November and will give us a better picture whether the current budgeted amount of \$38,325,000 will materialize.

State Aid Realignment: Last year the County received \$159,043 of this revenue on a one time basis, however, as of first quarter no revenue has been received.

Other Revenue: A variety of other changes between last years actuals and this year at first quarter help contribute to the overall increase as of first quarter including cancelled warrants, interest earnings and Supplemental Property Tax Administration revenue (SB 813).

There is no recommendation to adjust the \$180,749,399 budgeted for discretionary revenue in the current fiscal year at this time. A further review will be conducted as part of the mid-year budget review. A better picture of overall sales tax revenue trends will be known as well as the Prop 172 statewide pool rate. In addition, at mid-year more information will be available concerning any evaluations that may occur on property through the property tax appeal process. At this point it is not known what the potential impact will be if requests for reduced property tax values are implemented by the Assessor.

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

General Fund--Discretionary Revenue Five Year Comparison

