Mid-Year Financial Report
July—December 2008

BOARD OF SUPERVISORS

Jim DeMartini, Chairman
William O'Brien
Vito Chiesa
Jeff Grover
Dick Monteith

Submitted by
Chief Executive Officer
Richard W. Robinson

Table of Contents

Table of Contents

Introduction

This is the Chief Executive Office's Mid-Year Financial Report for the period of July 2008-December 2008 for the 2008-2009 Fiscal Year. It has been prepared to inform the Board of Supervisors, County leadership and the public of the County's fiscal status. The report provides revenue and expenditure summaries for County programs by each Board of Supervisors Priority and recommends adjustments to County budgets needed since the adoption of the Final Budget in September 2008.

While the Mid-Year Report primarily deals with the status of the County's budget as of December 31, 2008, given the significant budget challenges facing the State of California and County Government, the report also includes a discussion on the budget strategies currently in place as well as those being developed to assure a balanced budget in Fiscal Years 2009-2010 and 2010 -2011.

In Fiscal Year 2009-2010 the County anticipates facing declining revenues as a result of the impacts of the worsening economy on property tax and sales tax, reductions in health care and social services funding, the State budget crises and increased retirement cost. Some of the strategic options being considered for balancing the Fiscal Year 2009-2010 budget include targeted reductions in this fiscal year to create a $5 million fund balance, targeted reductions in 2009-2010 for all County programs and use of workers compensation and unemployment retained earnings to fund part of the 2009-2010 costs.

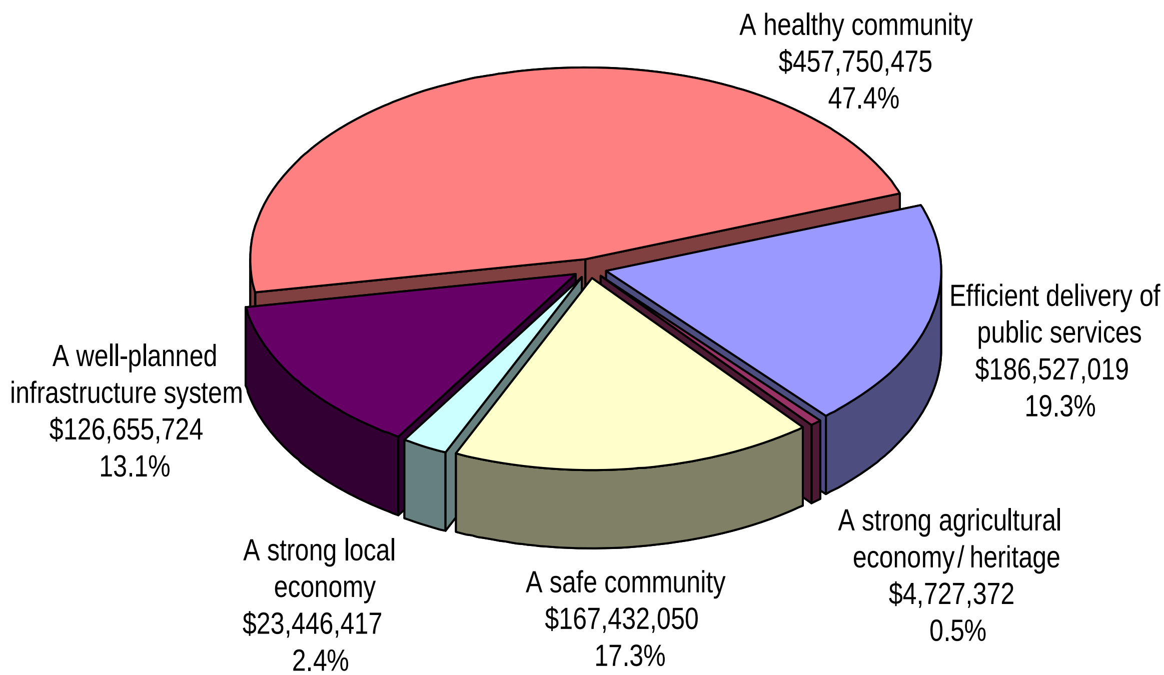
Summary

On September 9, 2008 the Board of Supervisors adopted the Fiscal Year 2008-2009 Final Budget for Stanislaus County. This spending plan of $966,539,057 for all funds reflected an increase of $9,207,100 or a 1% increase over the 2008-2009 Proposed Budget and a 2.2% increase over the 2007-2008 Final Budget. The Final Budget was balanced and used a combination of $911,941,931 in revenue and $54,597,126 in fund balance and one-time funding sources. The Final Budget also reflected designations in the General Fund totaling $48,755,695.

The County's 2008-2009 General Fund budget totaled $269,168,089 a decrease of .13% or $360,531 over the Proposed Budget adopted in June 2008. The Final Budget for Fiscal Year 2008-2009 includes $8.5 million in appropriations for contingency funds for future exposures.

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

Fiscal Year 2008-2009 Final Budget
Final Budget Expenditures by Priority
$966,539,057



BUDGET OVERVIEW

Up to the mid-year point, funds brought forward from the previous fiscal year along with first quarter adjustments result in an adjusted budget. These actions are summarized below.

Summary of First Quarter Adjustments

The 2008-2009 First Quarter Financial Report, presented on November 4, 2008 reflected recommended adjustments, a fiscal review of department budgets, and a cash analysis by fund. Departments requested $1,850,000 in total adjustments in the current year spending plan at the first quarter point. The Chief Executive Office's first quarter recommendations included a total increase in appropriations of $1,203,754, which included transfers from Appropriations for Contingencies totaling $274,453. The recommendations further increased estimated revenue by $1,438,607 including County Match resulting in an increase in fund balance of $234,853.

The recommended changes occurred primarily within the Community Services Agency and Public Works Department. The Community Services Agency had an overall net decrease in appropriations and revenue of $1,134,618 as the result of reductions in State funding and reduced Realignment funding. Public Works had a $2,223,536 increase in appropriations and a $2,488,054 increase in revenue as the result of the

Department being able to budget Proposition 1B and Proposition 42 once the State budget had passed and the uncertainty surrounding this funding has been eliminated. The most significant use of Appropriations for Contingencies occurred in *A safe community* priority area with $100,000 being used to provide funding for Cal-MMET.

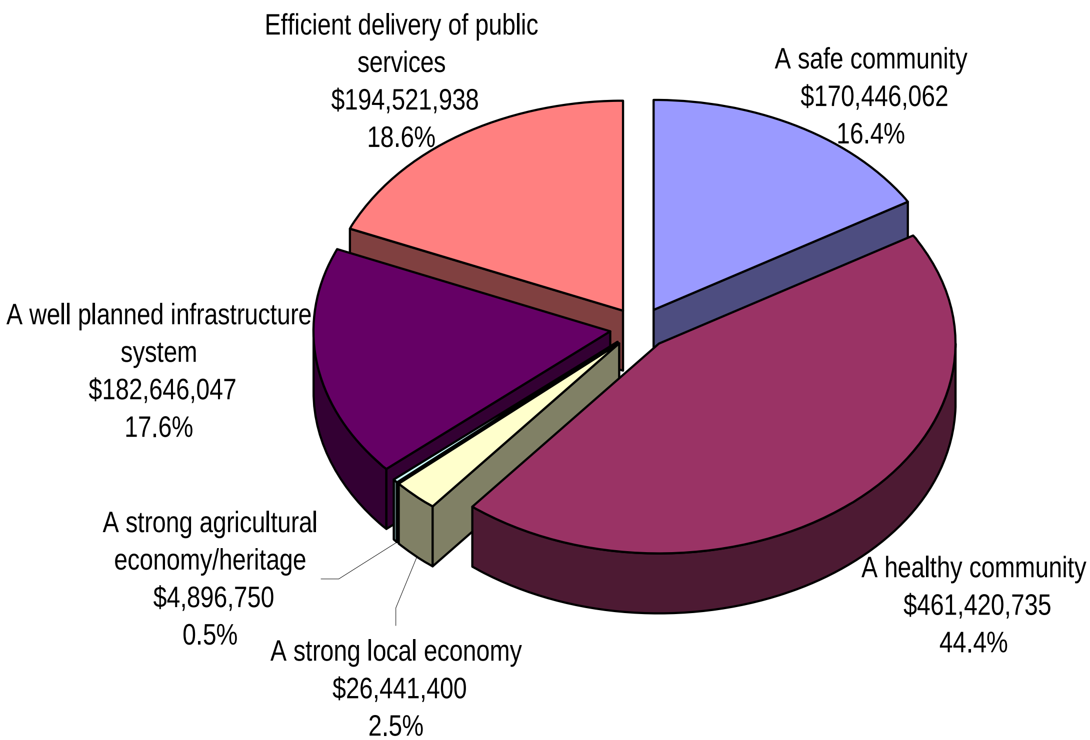
Summary of Budget Adjustments

The Final Budget is again adjusted each year by including appropriations that are carried forward from the prior fiscal year for projects that were planned for and authorized by the Board, however, not fully completed. Funding for these projects are reserved or designated by the Auditor-Controller at year-end to ensure these costs are fully funded in the next fiscal year. In addition, throughout the year the Board of Supervisors approves adjustments to Department budgets either through the first quarter financial reports or in separate Board of Supervisor action agenda items. The sum of these adjustments through December 31, 2008 total $73,833,875. This reflects $24,984,259 in funding that was carried forward and $48,849,616 in budget adjustments approved by the Board of Supervisors in the current fiscal year through December 2008.

The result of these adjustments made prior to the mid-year review has raised the total county budget to $1.040 billion in available spending authority in the current fiscal year.

The following chart reflects the adjusted budget slightly over $1 billion by Board of Supervisors priority as of December 31, 2008:

Fiscal Year 2008-2009 Adjusted Budget
Expenditure by Board Priority
$1,040,372,932 as of December 31, 2008



Overall Summary of Requested Mid-Year Adjustments

The 2008-2009 Mid-Year Financial Report reflects recommended adjustments, a fiscal review of departmental budgets, and a cash analysis by fund at mid-year:

- Departments requested $17.3 million in total adjustments in the current year spending plan;

- The Chief Executive Office's mid-year recommendations include a total increase in appropriations of $12,991,783 funded by increased revenue and use of fund balance/retained earnings. The recommendations increase estimated revenue by $11,721,225 including County Match resulting in a decrease to year-end fund balance/retained earnings of $1,217,941 and the use of $52,617 of Parks designation for public water system improvements;

- Also recommended are transfers from Appropriations for Contingencies totaling $1,764,374 for wage agreements for In Home Supportive Services (IHSS) program;

- Discretionary revenue projections have been re-evaluated and an overall recommendation to decrease discretionary revenue by $4,066,854 is made to reflect the current worsening economic conditions;

- Year-end fund balance projections have been prepared and suggest a range of slightly positive year-end savings of approximately $1.5 million to a potential year-end deficit position of $1.8 million at the current rate of spending and revenue collections. Year-end fund balance will be re-evaluated at third quarter to ensure the County does not end the fiscal year in a deficit position at year-end. These year-end projections take into consideration the mid-year 3% targeted reductions issued to Departments;

- This range of year-end "fund balance" reflects worsening fiscal impact of the economy and government and is significantly below annual expectations of $5.9 million;

- Mid-course adjustments are needed now to adjust to the challenging fiscal economic conditions and State budget reductions already underway in the current fiscal year; and

- Immediate action is needed to create substantial year-end fund balance of at least $5 million for June 30, 2009, to ensure a positive year-end position and assist with what appears to be a significant period of budget reductions over the coming year.

GENERAL FUND UPDATE

Discretionary Revenue

As of mid-year actual discretionary revenue was $47.9 million compared to $53.4 million for the same time period one year ago. This amount represents 27.7% of the 2008-2009 Final Budget figure of $172.9 million. Typically, discretionary revenue at this point of the fiscal year ranges from 27.6% to 35.2% of the total year actual collections when looking at the prior 5 years. This comparison alone indicates that we are near the lower end of the typical range when assessing our year end position and that decreasing our revenue estimate is in order. Additional known factors and indicators in our declining economy cause us to believe that our projected year-end actuals will be $168.8 million, a $4.1 million decrease to our estimates proposed at the presentation of the final budget.

Following is a summary of the differences between last fiscal year and this year, including recommended adjustments to the current year budget, as follows:

Property Taxes: Included in this category are the current secured and current unsecured property taxes, unitary tax, supplemental taxes, redevelopment pass through increment, the property tax received in lieu of vehicle license fees and State reimbursement for homeowners' property tax relief. Although the residential real estate market has been spiraling downward for the past two to three years the total assessed value of all property in the County has just begun to feel this effect.

The assessment "roll" as determined in June of 2008 and upon which the current tax roll is based was below the prior year's roll for the first time in memory. Since June, the roll has been reduced another $119 million and further decreases before year end are probable. Supplemental tax refunds are beginning to equal if not exceed the amount of supplemental bills that are being sent out which means at best, no supplemental tax revenue for the rest of the fiscal year and at worst, the loss of some of the revenue already received. Added in to this somewhat gloomy picture is a slight fall off in the homeowners' property tax relief reimbursement with a possibility of the State's inability to provide cash reimbursement for the remaining 50% of the commitment. The combination of these factors leads to a recommendation to reduce various property tax related revenue estimates by $1,048,326 in the current fiscal year.

SB813-Admin Cost: The revenue in this category results from the recovery of costs associated with the administration of the Supplemental Property Tax adjustments. Any change in assessed value triggers a supplemental assessment and a resulting tax bill or refund. The Final Budget of $775,000 was established in line with the previous year's budget with consideration given to a probable decrease to the actual amount of $1,221,172 received last year. Supplemental activity is severely suppressed since most property value decreases are being handled through the regular roll process and increases are almost non existent. Less activity translates into less administrative need and a resulting decrease in revenue. It is recommended that the budget for estimated revenue be decreased by $475,000 in the current fiscal year.

Transfer Tax: Not all news is bad as we address a bit of good news from the Property Transfer Tax source of revenue. As of mid-year the County has received Property Transfer Tax of $948,096 compared to $626,504 at December 31, 2007. This tax is collected by the Clerk-Recorder at the time of recording when an interest in real property is conveyed. The recent increase in real estate activity has impacted this revenue in a positive manner. Projected fiscal year-end revenue of $1,880,734 not only will exceed the $1,528,543 received last year but is more than $500,000 over the budget of $1,343,346. Based upon the expectation of a continued active real estate market during the remainder of the fiscal year, it is recommended that Transfer Tax revenue be increased by $537,388.

Sales Tax: Revenue received as of mid-year is $432,881 less than last year at this time. As the economy struggles and homes and jobs are lost, the general populace continues to reign in consumer spending, thus causing sales tax revenue to drop. Even though a decline was factored in when the proposed and final budgets were determined, a further adjustment is necessary as we head into the latter half of the fiscal year. Year end collections of $13.7 million are projected to fall short of the $14.5 million final budgeted amount. It is recommended that a decrease of $813,832 be applied to the Sales Tax revenue budget to more accurately reflect anticipated actuals in the current fiscal year.

In Lieu of Sales and Use Tax: In Fiscal Year 2004-2005 the State developed a financing structure for the State Economic Recovery Bonds. The State "flipped" ¼ of the Bradley-Burns sales and use tax from the counties and cities to the bond trustee for debt service payments. In order to compensate for the lost revenue to cities and counties, an equivalent amount of property taxes from the County Education Revenue Augmentation Fund (ERAF) were shifted to an "In-lieu of Sales and Use Tax" account. The third leg in this "Triple Flip" required that the State make up lost ERAF revenue to education from the State of California's General Fund. Payments to the "In-lieu of Sales and Use Tax" account are made by the Auditor-Controller in January and May of each fiscal year with an annual "true-up" occurring in the following fiscal year. Based upon the State Department of Finance's reconciliation of the prior year actual revenue, the County's true-up payment will include a decrease of $300,484 resulting in an adjusted amount of $4,728,116 for this year. In anticipation of this true-up decrease, the proposed and final budget were adjusted downward by $100,557 from the prior year but an additional decrease is necessary to bring the budgeted amount in line with the expected actuals. It is recommended to decrease the In-lieu of Sales and Use Tax estimated revenue by $199,410 to reflect actual revenue that will be received in the current year.

Public Safety Sales Tax (Prop 172): Actual revenue received as of December 31, 2008 is nearly $1.3 million less than that received during the same period one year ago. 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 the slightest change in the pool rate can have a significant impact on this revenue. The rate for the current fiscal year was issued in December and the new rate of .012732 for Stanislaus County reflects a decrease from the prior year's rate of .013155. Our decreasing pool rate coupled with the falling statewide sales tax revenue results in a smaller portion of revenue for the County. It is estimated that year-end revenue will fall $2.8 million short of last year and $1.9 million short of the current year's budget. Therefore, a recommendation is made to decrease the estimated revenue by $1,889,384 at this time. Currently the County already overmatches Prop 172 funded departments above the maintenance of effort (MOE) by $50.8 million.

Interest Earnings: Revenue from interest earnings as of mid-year is down from last year at this time by $473,082. The interest rate earned by funds on deposit in the County treasury is adjusted quarterly and ranged from a high of 5.366% to a low of 3.88% during the previous fiscal year. In comparison, the rate for Fiscal Year 2008-2009 thus far has ranged from 3.43% to 3.359%. In light of the lower rates and fluctuations in the daily cash balance it is recommended to decrease this source of revenue by $652,512 in the current year. The result is an annual projected budget of $3,539,779.

Miscellaneous Revenue Categories: Adjustments to several other discretionary sources are recommended at this time to more accurately reflect year-end projections. Increases of $47,241 to the Occupancy Tax and $464,461 to Governmental Funds are requested. Net decreases totaling $37,480 are recommended to other miscellaneous sources.

Not recommended for adjustment at this time but worth noting is the revenue received from Open Space Subvention, or Williamson Act monies. While we are expecting to receive State reimbursement for parcels identified in the Williamson Act, discussions at the State level are ongoing as to whether to reduce or possibly even discontinue this source of revenue to the counties. Currently the budget for this fiscal year is set at $1,466,940 and reimbursement is typically received during the latter half of the fiscal year. No budget action is being taken at this point but this issue will be closely monitored and revisited during the third quarter report. If the legislation eliminates the Williamson Act funding the current year discretionary loss would be $1.47 million.

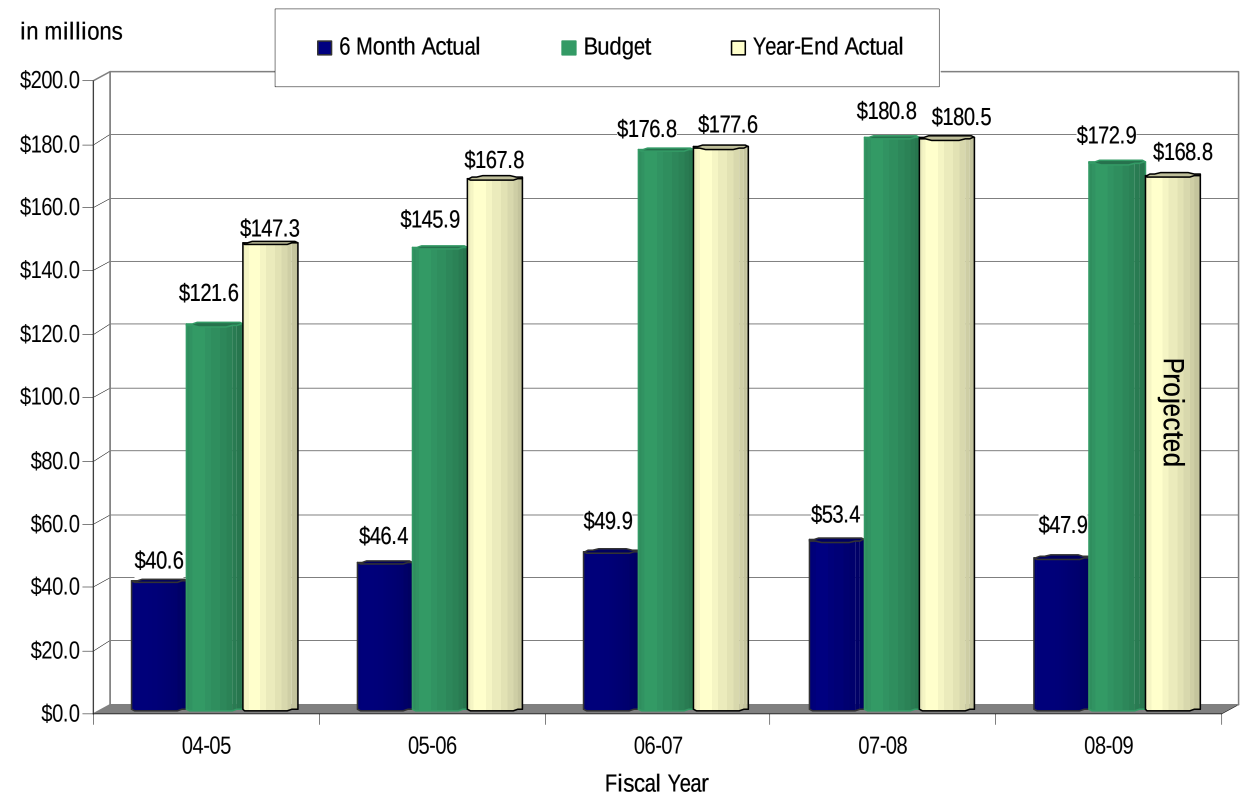
The following chart reflects the summary of recommended changes in Discretionary Revenue:

Discretionary Revenue Description	Final Budget FY 2008-2009	Mid-Year Recommendation	Recommended Budget Increase/(Decrease)
Property Taxes	$ 98,529,234	$ 97,480,908	$ (1,048,326)
Transfer Tax	1,343,346	1,880,734	537,388
SB 813 Admin Cost for Supplementals	775,000	300,000	(475,000)
Sales & Use Tax	14,533,832	13,720,000	(813,832)
In-lieu of Sales & Use Tax	4,927,410	4,728,000	(199,410)
Public Safety Sales Tax (Prop 172)	34,574,384	32,685,000	(1,889,384)
Interest Earnings, Rent	4,534,771	3,882,259	(652,512)
Miscellaneous Revenue Categories	783,065	1,257,287	474,222
Other Accounts Unchanged	12,852,570	12,852,570	-
Total	$ 172,853,612	$ 168,786,758	$ (4,066,854)

Recommended Budget Adjustment: It is recommended that discretionary revenue accounts be adjusted as described above for a net decrease of $4,066,854 bringing the new discretionary revenue total to $168,786,758. This is a significant reduction in local discretionary revenue and will trigger the need for budget reductions to maintain a positive year-end position for the County General Fund.

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



General Fund – Designations

Designations are funds set aside by the Board of Supervisors for specific restricted uses beyond the current fiscal year. Designations can be set up only during the Final Budget process but funds can be undesignated at any time during the year with a 4/5 vote of the Board. General Fund designations totaled $52,823,776 at the beginning of the current fiscal year. An increase of $1,500,000 to the Community Development Fund for future projects was approved at the Final Budget. In addition, decreases to the designated carryover appropriations for the General Fund of $1,791,000 and to the Economic Development Bank of $3,777,081 were also approved. An additional reduction of $9,084 to the Contingency designation occurred in December. This is part of an approved action item from July 10, 2007, authorizing incremental transfer of undesignated funds to Emergency Dispatch SR 911 as a loan for the project costs associated with the purchase and implementation of the new Computer Aided Dispatch system. The loan is to be paid back to the County over a five year period at 5% simple interest once the project is completed. The total net change in designations through December 31, 2008 is a reduction of $4,077,165 from the beginning of the fiscal year leaving a balance of $48,746,611.

The only mid-year request for use of designations is from Parks and Recreation to use $52,617 to fund water system testing and monitoring in connection with the public water system improvements at Frank

Raines Regional Park. It is recommended that this request be approved, resulting in an adjusted balance of $48,693,994 as reflected in the following chart.

Designation	2008-2009 Designations as of 12/31/2008	Recommended Increases / (Decreases)	2008-2009 Adjusted Designations
Debt Service	$ 11,779,459		$ 11,779,459
Contingency	9,682,674		9,682,674
Tobacco Settlement	1,696,799		1,696,799
Tobacco Securitization	202,508		202,508
Restricted	1,300,000		1,300,000
Parks Projects (Other)	979,379	(52,617)	926,762
Litigation (Other)	2,757,614		2,757,614
Facility Mtce & Improve (Other)	1,000,000		1,000,000
State 1A Funding Exposure (Other)	4,516,707		4,516,707
Capital Impvmnt Investment (Other)	8,691,959		8,691,959
Carryover Appropriations (Fund 100)	4,605,329		4,605,329
Carryover Appropriations (Fund 105)	34,183		34,183
Carryover Appropriations (Fund 107)	1,500,000		1,500,000
Total Designations	$ 48,746,611	$ (52,617)	$ 48,693,994

CASH REVIEW

State Budget Proposals

Department	Cumulative 7 Month Deferrals	Cumulative 3 Month Deferrals	1 Month Deferrals	Proposed Cuts
Behavioral Health	$9,168,670	$3,929,428	$2,085,993	
Environmental Health & Parks	$4,000,000	$4,000,000	$4,000,000	
Community Services Agency	$33,877,413	$15,248,402	$3,380,609	
Health Services Agency	$1,242,500	$640,500	$177,500	
Sheriff's Office			$419,735	$994,000
District Attorney				$230,000
Probation				$1,474,053
Public Works	$5,200,000	$4,100,000	$1,700,000	
Area Agency on Aging				$22,745
Chief Executive Office				$1,400,000
Children and Families Commission				$3,600,000
Total	$53,488,583	$27,918,330	$11,763,837	$7,720,798

General Fund Overall Cash Position

As of mid-year, the General Fund cash balance was $27 million compared to $40.4 million for the same period last fiscal year. A combination of events has resulted in this significant decrease in cash. There has been an overall decrease in property and sales taxes collected of $4.4 million compared to the same period last fiscal year. The County has also seen a decrease of $2.2 million in intergovernmental revenue including a decrease of $1.3 million in Prop 172 funding (Public Safety Funding), a decrease of $500,000 in revenue from SB-813 administrative costs and a decrease of $473,082 in revenue from interest. Along with these decreases in funding, the General Fund cost for Salaries and Benefits has increased by $5.8 million from this period last year.

In addition, when comparing mid-year to the fiscal year-end close of 2007-2008, General Fund cash is at $27 million compared to $66 million. This reduction can primarily be attributed to the timing of the receipt of property tax payments and sales tax revenue, and the overall decrease in General Fund revenue. This cash is used to cover all General Fund expenses associated with operation of the County including payroll. The County does not receive any property tax payments until December and only a small percentage of sales tax revenue in the first quarter. As a result, there is a sharp reduction in cash in Treasury during the first half of the fiscal year.

Special Revenue Funds Overall Cash Position

As of mid-year, the Special Revenue Funds cash is at $64.3 million compared to $58.6 million for the same period last fiscal year. The primary reason for the $5.7 million improvement when compared to the same period last fiscal year is the one-time increase of $5.7 million in Behavioral Health and Recovery Services as a result of the sale of the Stanislaus Behavioral Health Center.

Several other funds had significant changes in their cash position when comparing mid-year this fiscal year to mid-year last fiscal year:

- The cash balance for Community Services Agency – Program Services and Support has decreased by $1.1 million as a result of the lag time associated with the State's reimbursement of claims filed for actual expenditures;

- The cash balance for Community Services Agency – Public Economic Assistance has decreased by $1.7 million as a result of the customary lag time associated with the State's reimbursement of claims filed for actual expenditures and the delay in advances due to the late passage of the State budget;

- The cash balance for the Department of Child Support Services budget has increased by $1.1 million, but remains in a negative position as is customary, as the result of the receipt of revenue from a prior period and timely claiming of reimbursement from the State;

- The cash balance for the Health Services Agency – Public Health budgets has decreased by $2.7 million as the result of delays in the receipt of State and Federal reimbursements including over $1 million delayed since June 30, 2008;

- The cash balance for the Behavioral Health and Recovery Services – Mental Health Services Act budget increased by $3.7 million as a result of additional State funds for approved programs within this budget;

- The cash balance for the Behavioral Health and Recovery Services – Substance Abuse and Crime Prevention Act has increased by $1.4 million primarily a result of the delay of payments from the State in Fiscal Year 2007-2008;

- The cash balance for the Public Works Road and Bridge budget has increased by $1.5 million as the result of the transfer in of Proposition 1B funds for maintenance work completed by road operations. These funds are deposited in Fund 1103 and transferred to Road Operations or Projects as maintenance work is completed or project contracts awarded; and

- The cash balance for the Public Works Road Projects budget has decreased by $2.9 million as the result of the timing of Road Project construction. The availability of additional local match money due to receipt of Propositions 1B and 42 funds resulted in Public Works being awarded additional funding for road overlays. However, these projects are not completely reimbursed until completed, causing a decrease in cash. In addition, Public Facility Fee (PFF) funds are transferred into the Road Projects fund when eligible project contracts are awarded. As construction proceeds, these funds are spent down, further reducing the cash balance.

In addition, in comparing Mid-Year 2009-2009 to the fiscal year-end close of 2007-2008, the Special Revenue Funds cash is at $64.3 million compared to $71.6 million.

Several funds had significant changes in their cash position when comparing mid-year this fiscal year to year-end for Fiscal Year 2007-2008:

- The cash balance for the Community Services Agency – Program Services and Support budget has decreased by $7 million as a result of the timing of receipt of State and Federal funds;

- The cash balance for Community Services Agency – Public Economic Assistance has increased by $6.7 million as a result of posting monthly assistance benefits payments one month in arrears during the fiscal year and posting timely at year-end close;

- The cash balance for the Department of Child Support Services budget has decreased by $4.2 million as a result of delays in the receipt of State and Federal reimbursements;

- The cash balance for the Health Services Agency – Public Health budget has decreased by $3.5 million as a result of delays in the receipt of State and Federal reimbursements;

- The cash balance for the Behavioral Health and Recovery Services – Mental Health budget has decreased by $1.8 million as a result of delays in the receipt of State and Federal reimbursements;

- The cash balance for the Behavioral Health and Recovery Services – Mental Health Services Act budget increased by $1.2 million as a result of additional State funds for approved programs within this budget;

- The cash balance for the Public Works Road and Bridge budget has increased by $1.2 million as the result of receipt of prior years (Fiscal Year 2007-2008) Highway User's Tax funds. These funds, approximately $2 million from April through June, are normally received on a monthly basis. However, they were withheld by the State from April through August to address State cash flow issues; and

- The cash balance for the Public Works Road Projects budget has decreased by $2.2 million as the result of the timing of Road Project construction. The availability of additional local match money due to receipt of Propositions 1B and 42 funds resulted in Public Works being awarded additional funding for road overlays. However, these projects are not completely reimbursed until completed, causing a decrease in cash. In addition, Public Facility Fee (PFF) funds are transferred into the Road Projects fund when eligible project contracts are awarded. As construction proceeds, these funds are spent down, further reducing the cash balance.

Capital Projects Funds Overall Cash Position

As of mid-year the Capital Projects Funds cash position is at $38.7 million compared to $31.2 million for the same period last fiscal year. The positive $7.5 million cash position this fiscal year over last is primarily due to an increase of $3.5 million in the Redevelopment Agency Housing Set-Aside budget as a result of a change to the methodology to compute the Housing Set-Aside portion of the tax increment, as determined by the 2006-2007 financial audit findings.

A few other funds had significant changes in their cash position when comparing mid-year this fiscal year to mid-year last fiscal year:

- The cash balance for the Redevelopment Agency has increased by $1.2 million as a result of interest earned on the bond money received for the Keyes Storm Drainage Infrastructure Project; and

- The cash balance for CEO - Public Safety Center Jail Expansion Capital Project has increased by $1.7 million. Originally cash of $2 million was designated to the capital project as the result of transferring in Public Facility Fees for the first phase of the project. Of this amount, the project has $300,000 in expenditures to date, and $1.7 million of cash remains in the capital project.

In addition, in comparing mid-year to the fiscal year-end close of 2007-2008, the Capital Projects Fund cash is at $38.7 million compared to $35.9 million. The primary reason for the increase in cash of $2.8 million when compared to the previous fiscal year's close is $2.6 million increase in the Redevelopment Agency. This increase in cash is due to the recurring receipt of tax increment funds received in April and December of each fiscal year with the property tax payments.

Enterprise Funds Overall Cash Position

As of mid-year the Enterprise Funds cash is at $19.7 million compared to $16.2 million at the same period last year. The primary reason for the $3.5 million improvement when compared to the same period last fiscal year is the increase of $2.7 million in the Department of Environmental Resources' Fink Road Landfill fund. The reasons for this increase are twofold: 1) higher than anticipated revenue receipts during the last half of Fiscal Year 2007-2008 due to increased volume and fees for special handling waste; and 2) less than anticipated cost of design and construction of a project to increase landfill capacity.

Several other funds had significant changes in their cash position when comparing mid-year this fiscal year to mid-year last fiscal year:

- The cash balance for the Health Services Agency's Clinics and Ancillary Services has increased by $1.6 million as the result of the Federally Qualified Health Center Look-Alike (FQHC-LA) designation's increase in Federal reimbursement rates; and

- The cash balance for the Behavioral Health and Recovery Services' Stanislaus Behavioral Health Center (SBHC) has decreased by $1.5 million as the result of the transfer of funds generated by the sale of SBHC to Doctors Medical Center that occurred in October 2007, into the Behavioral Health and Recovery Services' Special Revenue fund.

In addition, in comparing mid-year to the fiscal year-end close of 2007-2008, the Enterprise Funds cash is at $19.7 million compared to $19.3 million. The primary reason for the $.4 million improvement when compared to the previous fiscal year's close is an increase of $1.1 million in the Fink Road Landfill resulting from the less than anticipated cost of design and construction of a project to increase landfill capacity.

The Health Services Agency is projecting a year-end cash deficit of approximately $2.4 million in the Clinics and Ancillary Services budget. As a recently designated Federally Qualified Health Center Look-Alike (FQHC-LA), the clinics currently receive an interim reimbursement rate for qualified Medi-Cal patient visits during this full fiscal year with FQHC-LA status. The final reimbursement will be based on actual costs over the 2008-2009 Fiscal Year, and the clinics will begin receiving the higher, final rate in November 2009. It is important to note that the final rate will be applied to all qualifying patient visits that have occurred since the clinics received the designation in September 2007.

Internal Service Funds Overall Cash Position

As of mid-year Internal Service Funds cash is at $38.2 million compared to $34.6 million for the same period last fiscal. The primary reason for the $3.6 million improvement when compared to the same period last fiscal year is the increase of approximately $2.9 million in Risk Management - Workers' Compensation Self-Insurance fund as a result of increased safety awareness and reduction in claims costs.

A few other funds had significant changes in their cash position when comparing mid-year this fiscal year to mid-year last fiscal year:

- The cash balance for Strategic Business Technology (SBT) and SBT - Telecommunications has increased by $1.1 million as the result of savings due to staff vacancies, the receipt of funds designated for a Secure Email Gateway and Business Continuity projects to add improved server recovery capability, back-up power (generator and uninterruptible power supply), and installation of a fire suppression system in the SBT data center for the Strategic Business Technology budget. In addition, the SBT-Telecommunications budget has increased due to the consolidation and rerouting of telephone traffic to enable the disconnection of a number of trunk lines while still maintaining quality of service. Combined with the conservative implementation of Voice over Internet Protocol (VoIP) services, these efficiencies have reduced short and long term recurring costs to external vendors. These cost savings resulted in increased fund balance which will be required to address budget reductions occurring as a result of loss of revenue from the Sheriff's Department moving to a self-maintained VoIP system and the departure of the Superior Courts from the County's telephone system;

- The cash balance for Public Works - Morgan Shop has increased by $.6 million as the result of increased vehicle rental by the Road and Bridge division; and

- A number of decreases in cash occurred in the Self-Insurance funds including a decrease of approximately $.3 million in the General Liability budget, a decrease of $.4 million in the Unemployment Insurance budget due to the use of retained earning to fund the costs normally billed to departments, and a $.3 million decrease in Professional Liability due to the use of retained earnings to assist in the balancing of the 2008-2009 Proposed Budget.

In addition, in comparing mid-year to the fiscal year-end close of 2007-2008, the Internal Service Funds cash is at $38.2 million compared to $40 million. The primary reason for the decline in cash of $1.8 million when compared to the previous fiscal year's close is a $1.1 million decrease in the Risk Management General Liability Self-Insurance Fund. This decrease is the result of the use of $1 million in retained earnings to assist in the balancing of the 2008-2009 Proposed Budget in addition to the premium costs for General Liability being paid during the first quarter, while the majority of revenue to offset this expense is received on a monthly basis throughout the fiscal year.

A few other funds had significant changes in their cash position when comparing mid-year this fiscal year to year-end for Fiscal Year 2007-2008:

- The cash balance for Strategic Business Technology has increased by $.5 million as the result of vacant positions. Departments that have either lost IT positions or have chosen to keep IT positions vacant have contracted with SBT to fill the technology void. By not filling the vacant positions, the departments realize long term salary savings but have some short term funding to utilize the specialized services at SBT;

- The cash balance for Risk Management – Workers' Compensation budget has increased by $.8 million as a result of increased safety awareness and reduction in claims costs; and

- Risk Management-Professional Liability has decreased by $.9 million as a result of the use of retained earnings to assist in the balancing of the 2008-2009 Proposed Budget.

2008-2009 MID-YEAR OVERVIEW

Capital Improvement Planning (CIP)

The Board of Supervisors approved the Final Capital Improvement Plan on May 20, 2008. Since then, the Stanislaus County Planning Commission has determined that the CIP was in conformance with the County's General Plan. The Final Capital Improvement Plan (CIP) for Fiscal Year 2008-2009 includes 304 capital projects with an estimated total cost of $1.5 billion over the next 20 year period. Capital projects include one-time expenditures for major infrastructure, facility and equipment acquisition or construction. Of the total cost, the County's share is estimated to be approximately $1 billion. A capital project is a one-time expense attributed to acquisition, remodel, construction, demolition, or improvements of real property. The

Final CIP is a dynamic planning document. Funding and other unique circumstances and opportunities may advance or delay any specific project's implementation.

While the County has many projects in different stages of planning, five projects are the primary focus at this time:

Regional Water Safety Training Center – Empire Community Pool: On May 20, 2008, the Stanislaus County Board of Supervisors awarded the construction contract to Diede Construction, Inc., for the Regional Water Training Safety Center – Empire Pool Project. This project was made possible through funding provided by a $1,000,000 grant from the State of California Urban Parks and Healthy Communities 2002 Resource Bond Act; $1,000,087 from the Tobacco Tax Fund; $496,038 in Public Facilities Fees; a $200,000 grant from the Stewardship Council; and $165,000 from the community to support the ongoing operation and program costs. On September 12, 2008, Stanislaus County Board of Supervisors hosted a groundbreaking ceremony to commemorate the beginning of construction of this community project. Since that time, the Chief Executive Office – Capital Projects Division and the Department of Parks and Recreation have been working with the Diede Construction Team to deliver this project by the scheduled completion date of May 2009.

On December 23, 2008, the Department of Parks and Recreation received notification from the California State Parks Department concerning the active contract with the State Parks' Office of Grants and Local Services for this project. In that letter, it was indicated that the Pooled Money Investment Board had voted to freeze all bond-related payments, including those funded out of Proposition 12 and 40. Furthermore, the Department of Finance had advised the State Parks Department to request all grantees with active contracts to (1) suspend all bond-funded projects unless they can continue the project with non-State funding sources; (2) cease entering into any new construction, grant, loans, or other agreements that commit the expenditure of bond funds; (3) cease from entering into any new construction or other agreements or contracts that would be funded from bond funds; and (4) immediately notify the project officer regarding any project, which cannot be continued with non-State funding sources, and which, if suspended, will subject them to unacceptable legal liability, fines or penalties.

The Department of Parks and Recreation immediately contacted the project manager for the Regional Water Training Safety Center – Empire Pool Project and was advised to submit project costs information, including the executed construction contract, in addition to information regarding the current status of the project. On January 22, 2009, the Chairman of the Board submitted a project packet to the State Department of Parks and Recreation providing background on the project, a current status of the project indicating that it was approximately 80% complete, project cost information, a copy of the executed construction contract, and non-payment of grant funds for the project would likely cause substantial harm to the County and the community resulting from suspension of project construction to the County if the $1 million State grant obligation for this project was not met. Concerns were also articulated regarding the possible exposure to the County of legal liability, fines, and penalties. As of the date of this report, a response from the State had yet to be received by the Stanislaus County.

Animal Shelter: The County is working with the partnering cities to create a new level of partnership that would equitably allocate costs and provide all agencies with an incentive to develop the most cost effective and humane Animal Shelter. The Cities of Modesto, Ceres, Patterson, Waterford and Hughson have indicated interest in a continued partnership with the County. These Cities and the County continue to work toward forming a Joint Powers Agency (JPA) for the purpose of administering Animal Shelter services.

At this time staff is recommending the Design Build approach for the Project Delivery; however the Contract with the Architect includes a provision to allow the County to change the Project Delivery approach to Design Bid, if the approach proves more beneficial to the County. Two programs were developed concurrently; one addressing the needs of Stanislaus County along with the original seven participating cities; the other program meets only the needs of Stanislaus County. It is estimated that the program with the cities would be 33,573 square feet and the County-Only program would be 22,978 square feet.

The original estimated costs for the Reuse and Expansion Plan for the Finch Road Animal Services facility at the Finch Road location was estimated between $9.9 million and $10.8 million prior to any design work. This assumed the reuse of a portion of the existing facility. In the discussions regarding the shelter construction project the projected debt cost has been previously estimated at $11 million. A new site is under consideration and if the project proceeds to construction it will be complete in 2010.

Upgrade the Electronic Security and Fire Alarm Systems at The Juvenile Justice Center: The purpose of this project is to improve and upgrade the electronic security and fire alarm and services systems at the County's Juvenile Justice Center, located on Blue Gum Avenue in Modesto. On November 25, 2008 the Board of Supervisors authorized the Chief Executive Office to issue a notice inviting bids for the construction phase of this project with a bid opening date of January 21, 2008. The estimated Project cost is expected to be close to $1,000,000. Of this amount $650,000 was budgeted in the Plant Acquisition budget. The Probation Department will provide an estimated $350,000 toward the completion of the project.

Public Safety Center Expansion Project: The Chief Executive Office is working with the Sheriff's Department on the Public Safety Center Expansion Project. Programming of the new facility to meet the capacity and facility requirements detailed in the Needs Assessment is nearing completion with the design work being the next step. The Master Plan calls for the addition of 420 new jail beds and various other Sheriff's Facilities that are needed. Full funding for both construction and operation has not been identified. The Chief Executive Office will return to the Board of Supervisors in a separate agenda item to request the Board to accept the progress report. Construction costs are estimated at approximately $140 million and ongoing cost of $6.8 million providing adequate staff to manage the increase in the inmate population. Jail facilities are badly needed for expansion and replacement of the Honor Farm and the Men's Jail. With no State funding available at this time of fiscal challenges, full build out is unlikely. A phased approach may need to be developed to meet the needs of future expansion activities.

Juvenile Commitment Facility: On December 16, 2008 the Board of Supervisors authorized the County to submit an application for Juvenile Camp Funding under the Department of Corrections 2007 Youthful Offender Block Rehabilitative Facility Construction Funding Program (SB-81) and approved the application to the State of California for an amount of State funding not to exceed $18 million. The grant requires the County to fund 25% of the project cost with a minimum 5% of the project cost in cash-match. Detailed programming and costing is still in process and the County will not accept any funding beyond what they can afford to match. Conditional Awards will be announced during March 2009. The Conditional Award allows the County to negotiate a contract that the County is comfortable with and meets State Requirements. If awarded, the County is projecting a construction start date of January 6, 2011 and an occupancy date of November 29, 2012. The State has already enacted Juvenile Justice Reform, eliminating California Youth Authority and providing funds to counties for increased operating costs making the SB81 funding more likely.

Health and Human Services

Significant challenges remain in the area of health and human services. The Governor's Proposed State Budget for 2009-2010 includes many cuts and payment deferrals in the health, mental health and social services programs that, if adopted, will be passed directly to counties. Additionally, the weakened economy has caused a corresponding decrease in Realignment revenue, thereby burdening the financial support of the health and human services departments. The Community Services Agency, faced with numerous reductions to programs vital to the neediest members of the community as well as the loss of Realignment revenue, has "unfunded" a total of 82 positions in an effort to spare direct services and maintain existing programs. It is anticipated that any further State-driven budget reductions will have a negative impact on these programs such as Adult Protective Services, Child Welfare Services and StanWORKs programs. Also, the In-Home Supportive Services (IHSS) program is increasing by $9.7 million based on the Board approved agreement with United Domestic Workers of America for IHSS Individual Provider wage increases and projected caseload growth. This includes a County Match increase of $1.7 million as identified in the 2008-2009 Proposed Budget, recommended to be funded from the Appropriations for Contingencies budget.

Behavioral Health and Recovery Services (BHRS) continues to face significant structural funding shortfalls in providing its core programs and services. As part of the mid-year analysis, the Department has identified a shortfall of approximately $4.5 million for the upcoming 2009-2010 Fiscal Year. The Department is developing strategies to resolve these funding challenges and will return to the Board with specific recommendations prior to year-end. Additionally, the Governor's Proposed Budget for 2009-2010 included a recommendation for the State to use Mental Health Services Act (Prop 63) dedicated funding in the place of State General Funds for Mental Health Managed Care costs. This recommendation would require a return to the ballot for approval, as the Prop 63 funding cannot currently be used to supplant funding for existing programs. If adopted and approved by the voters, this will negatively impact the programs currently funded by Prop 63 funds, as well as further diminish available resources for the under-funded core mental health programs.

Despite the recent increase in funding as a result of receiving the Federally Qualified Health Center Look-Alike (FQHC-LA) designation, the Health Services Agency continues to face funding challenges in its Clinics and Ancillary Services Division. The Agency has made good progress in implementing strategic initiatives that have resulted in operating efficiencies, and will continue to develop additional initiatives in the pursuit of fiscal stability.

Labor Relations

The County currently has long term agreements in place with a majority of County bargaining units. One labor agreement will expire during the current fiscal year with the Sheriff's Management Association. Negotiations with this group are scheduled to begin this month with a new agreement to be effective in March 2009.

Below is a schedule by bargaining unit of contract expiration dates:

Bargaining Unit	Allocated Positions	%	Contract Expiration Date
Sheriff Management Association	18	0.4%	02/28/09
Deputy Sheriff Association - Sworn	204	4.7%	06/30/09
Sheriff Supervisor Association	31	0.7%	06/30/09
Deputy Sheriff Association - Custodial	226	5.2%	12/31/09
District Attorney Investigators	17	0.4%	03/31/10
SEIU	718	16.4%	06/30/10
Attorneys	86	2.0%	06/30/10
Emergency Dispatchers Association	48	1.1%	06/30/10
Resident Physicians	28	0.6%	06/30/10
Deputy Probation Officers	109	2.5%	07/31/10
Group Supervisor Association	87	2.0%	12/31/10
Registered Nurses	124	2.8%	02/28/11
AFSCME	2,229	50.7%	05/31/11
Unrepresented	460	10.5%	N/A
Total	4,385	100.0%	

Health Insurance

Health insurance benefits are negotiated collectively under one agreement for all represented bargaining units. The current multi-year agreement for employee health benefits expired on December 31, 2008. The County's original medical insurance cost increase for 2009 was projected at 12.4%, or approximately $6.2 million. The County worked with labor groups to expand the current HMO plans offered to County employees to include a lower cost alternative HMO plan and to modify some benefit provisions based on industry standards. The agreed upon changes have been approved by all labor groups and the Board of Supervisors and will reduce the original projected cost increase to approximately $365,000 in calendar year 2009.

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

Ensuring a safe community and protecting the safety of the residents of Stanislaus County continues to be a top priority of the Board of Supervisors. Departments assigned to the Board of Supervisors priority area of *A safe community* include: 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 revenue sources. Public Safety Sales Tax revenue (Proposition 172) is also used to partially fund the District Attorney, Probation and Sheriff's Department budgets. These departments also receive dedicated funds for specific grant funded programs.

DEPARTMENTAL EXPENDITURES

As of December 31, 2008 total expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A safe community* are $79.3 million compared to $77 million for the same period one year ago. This amount represents 46.5% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the year are 46.5% to 46.1% of the total annual expenditures, placing this year well within the two year average.

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

- A $104,334 decrease in the Animal Services-Donations Trust budget due to the reduction in charges from Veterinarians as a result of the limit placed on the sale of Stanislaus County Alternative to Euthanasia (SCATE) vouchers;

- A $213,262 decrease in Animal Services due to salary savings, a decrease in Veterinarian Services costs as the result of having a full-time Veterinarian on staff and a reduction in SCATE surgery charges. During Fiscal Year 2007-2008 SCATE surgery charges were temporarily paid out of the Animal Services Budget, which inflated expenditures for the 2007-2008 Fiscal Year when comparing expenditures at Mid-Year 2008-2009;

- An approximate increase of $260,000 in the Public Defender-Indigent Defense budget as a result of the increased cost for attorney services, professional and special services, psychological services and a new contract with the two conflict firms;

- An increase of approximately $211,380 in actual costs in Probation-Field Services, as the result of budgeted increased salary and group health insurance costs;

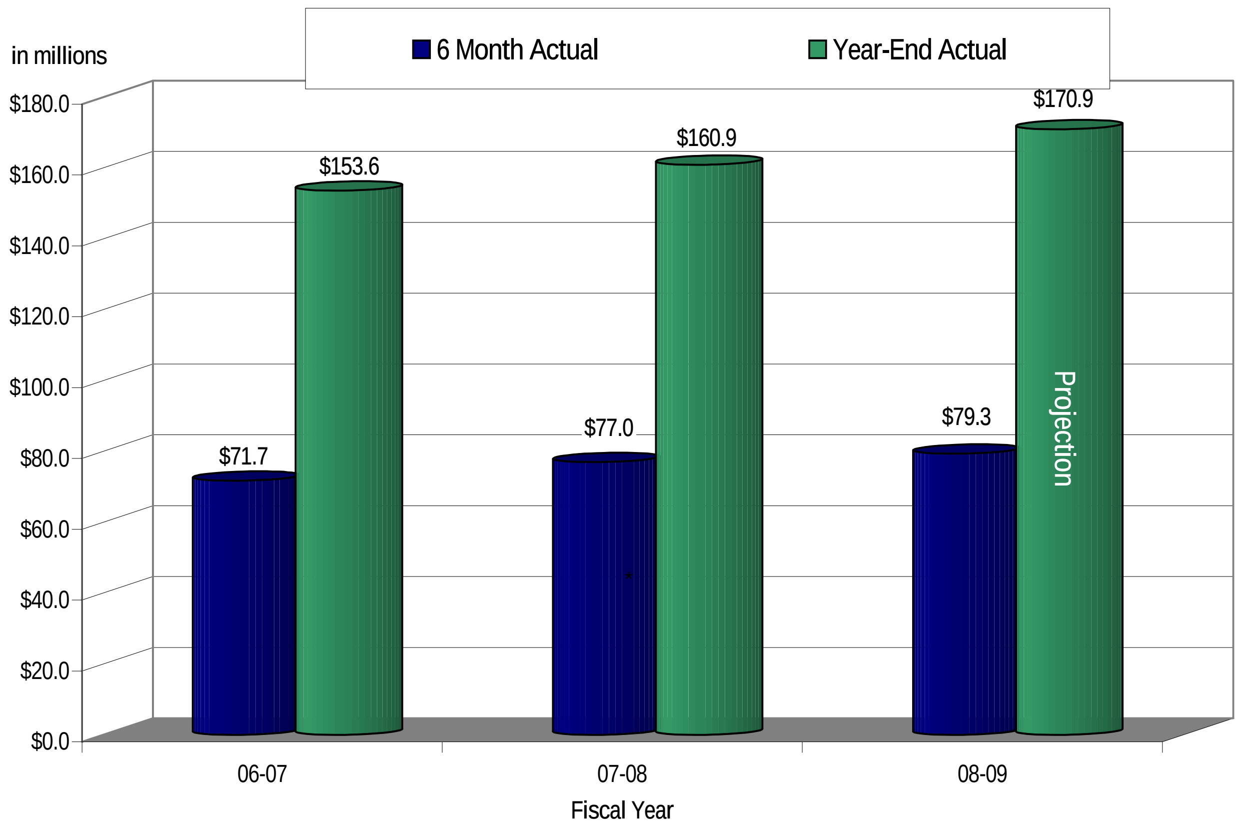
- An approximate $2.4 million increase in expenditures in the Sheriff's budgets including Administration, Detention, Court Security, Inmate Welfare, Driver Training, Ray Simon Training Center and Contract Cities, as the result of increased salary costs, health benefit costs, increased staffing for Contract Cities and Court Security and increases in building maintenance costs due to changes in how these cost are allocated in the General Fund;

- A decrease of $491,249 in the Sheriff CAL ID program as the result of the reduction in the use of Fixed Assets in the first half of this fiscal year; and

- An increase of $219,000 in the County Court Funding budget as the result of increased expenditures due to the transfer of three courthouses to the State, an unexpected Fixed Asset replacement and increases to utility and collection costs during the first five months of the fiscal year.

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 Expenditures
Three Year Comparison



DEPARTMENTAL REVENUE

As of December 31, 2008, revenue for the departmental budgets that fall under the Board of Supervisors priority area of *A safe community* total $21.7 million, compared to $22.1 million for the same period one year ago. This amount represents 45.2% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 46.4% to 50.7% of the total year's collections, placing this year's revenue below previous years.

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

- An increase of approximately $156,932 in revenue for Animal Services primarily due to an increase in court fines and fees;

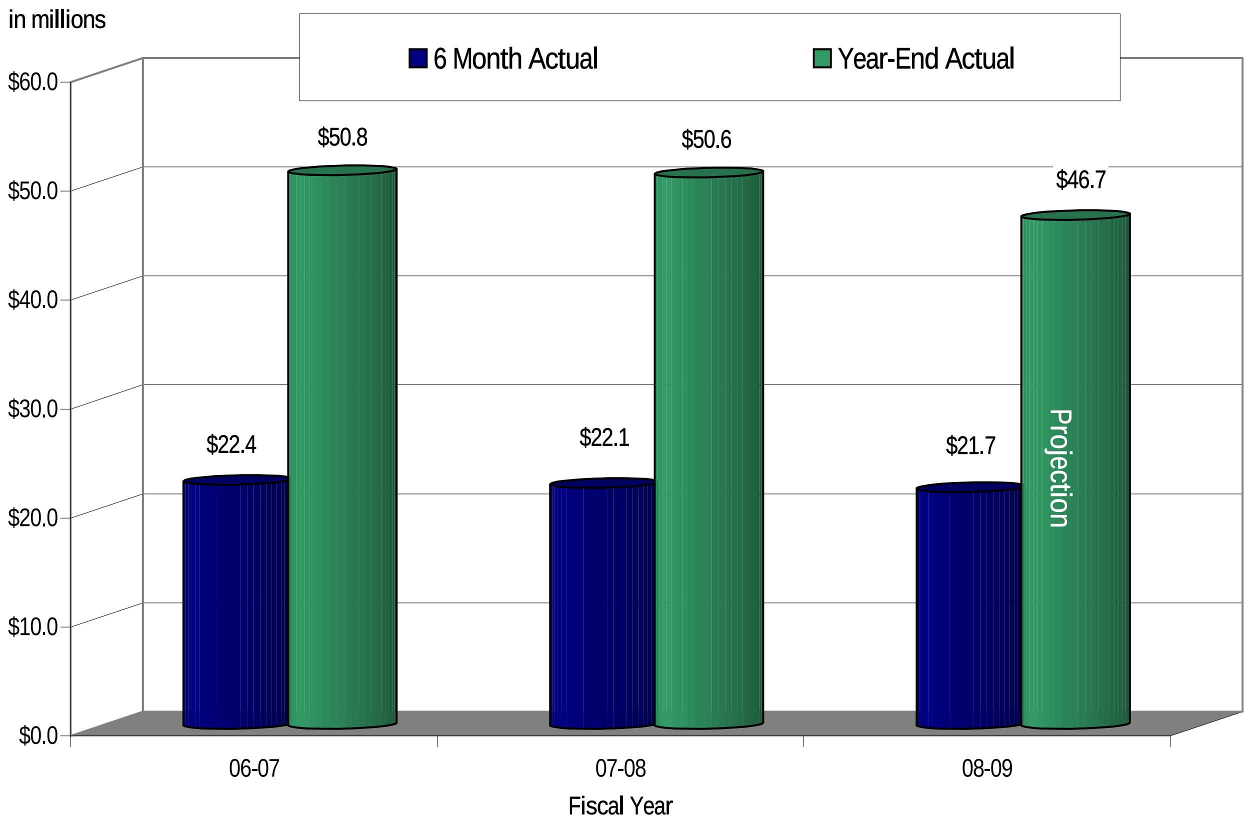
- A combined $117,129 increase in revenue for all of Probation's budgets attributed primarily to an increase in the grant funding amount for the Youthful Offender Block Grant (YOBG). This increase in revenue is offset by the decrease in the grant funding amount in the Juvenile Justice Crime Prevention Act (JJCPA);

- A combined $569,381 decrease in revenue for all of the Sheriff's budgets including Operations, Detention, and Cal-MMET, primarily attributed to the timing of the receipt of revenue from the Supplemental Law Enforcement Services Fund (SLESF) along with a reduction in fees, contracts and State funding; and

- A $82,918, decrease in revenue for the Public Defender due to additional payments received in 2007-2008 from the State for funds earned in the 2006-2007 Fiscal Year. This year's decrease reflects the lack of those additional payments.

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



MID-YEAR ISSUES AND RECOMMENDATIONS

ANIMAL SERVICES

For sometime the County has been meeting with cities to develop a more equitable cost sharing responsibility for Animal Services and the Shelter. On December 16, 2008 the Board of Supervisors gave approval to rescind notices of intent to terminate the existing agreements effective December 31, 2008 with the cities of Modesto, Ceres, Patterson, Hughson and Waterford for the provision of Animal Services. Newman and Riverbank subsequently pulled out and decided to contract with other agencies. Cities were asked to submit a letter of interest to the Chief Executive Officer by January 15, 2009 in participating in a new shelter to indicate an initial and revocable interest in a new long term partnership. Five cities responded Modesto, Ceres, Patterson, Waterford and Hughson indicating an interest in a long term partnership. On January 22, 2009 the County met with these cities to give an update as to the progress of the Animal Services Facility and the upcoming facility schedule. Also discussed was the County and Cities' continuous work toward forming a Joint Powers Agency (JPA) for the purpose of administering animal shelter services. Until the time a JPA has been established the county and cities discussed at their

January meeting the formation of a Management Oversight Committee to review and recommend shelter operations and budgets. If cities indicate that they are not interested in participating on the JPA, they have the option of contracting with the JPA.

Two cities Newman and Riverbank have expressed that they are no longer interested in continuing to partner with the County for animal services. Newman decided to discontinue services effective December 31, 2008, and Riverbank no longer partners with the County effective January 31, 2009. The impact to the 2008-2009 Fiscal Year budget is a loss of approximately $15,000 in revenue to the County.

The County has agreed to absorb the operational costs from Riverbank and Newman and the cost of canvassing until such time that the JPA is formed. The cities have the opportunity to decide their level of service for canvassing and field services regardless if they are part of the JPA or contracting with the JPA.

For those cities wishing to partner with the County, a revocable interim agreement reflecting a proportional share cost is required to be in place by March 1, 2009. The cost sharing agreements would be retroactive to January 1, 2009. Agreements would be revocable up to the date the County proceeds to bid on the design/build project which is estimated to be around April 30, 2009.

The County continues to meet with the partnering cities to create a new level of partnership that would equitably allocate costs and provide all agencies with an incentive to develop the most cost effective and humane Animal Shelter.

The Department of Animal Services is requesting to reclassify an Animal Care Specialist II position to a Registered Veterinarian Technician (Animal Care Specialist III). This would bring the current allocation to two Animal Care Specialists III positions, which will provide seven-day coverage at the shelter. Additionally, the Department has requested a classification study of two Animal Care Specialist I positions assigned to Client Services.

The Chief Executive Office has requested a targeted reduction of $48,833 in this budget. The Department is projecting at mid-year a year-end reduction of $93,266 or $44,433 above the targeted reduction.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Animal Services				Reclassify two Animal Care Specialist I positions	Study
Animal Services				Reclassify upward one Animal Care Specialist II position	Animal Care Specialist III

Summary of Recommendations: It is recommended to study two Animal Care Specialist I positions and to reclassify upward one Animal Care Specialist II position to Animal Care Specialist III (Registered Veterinarian Technician), maintaining the Department's total allocated positions of 39. It is anticipated that the additional cost of hiring an Animal Care Specialist III will be approximately $5,000 annually. The department will be able to absorb this increase into their budget.

CEO-COUNTY FIRE SERVICE FUND

In the 2007-2008 First Quarter Report, the Department requested a classification study of one Administrative Clerk II position. A review of the Department's support functions was conducted as a result of this request. One Confidential Assistant III position will be transferred in to provide technical support to County Fire operations.

The Chief Executive Office has requested a targeted reduction of $8,619 for the County Fire Service budget. The Department is projecting to achieve the target of $8,619 from savings in salaries, and services and supplies.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
County Fire Service Fund				Reclassify upward one Administrative Clerk II position	Account Clerk III
County Fire Service Fund				Transfer in one Confidential Assistant III position and reclassify	Staff Services Technician

Summary of Recommendations: It is recommended to reclassify upward one Administrative Clerk II position to Account Clerk III. It is also recommended to transfer in one Confidential Assistant III position from CEO-Operations and Services and reclassify the position to Staff Services Technician, increasing the Division's total allocated positions to seven.

DISTRICT ATTORNEY

Overall, the District Attorney's budgets are projected to end the year within budgeted appropriations. Many of the Special Revenue budgets have experienced a reduction in State funding this year, including the elimination of the Spousal Abuser Prosecution and Workers' Compensation Programs at first quarter. Since that time, the Rural Crimes Task Force and Elder Abuse Advocacy and Outreach Programs have both received their final grant awards, which will result in a reduction in appropriations and revenue. Also, in January 2009, the District Attorney's Office was notified of further reductions in the Vertical Prosecution Block Grant and Rural Crime Prevention Programs, which represent an approximate 40% reduction in revenue. This is in addition to the 10% reduction already enacted in this fiscal year. The California District Attorney's Association is disputing the recent reduction in funding, as it was imposed by the Governor without legislative approval. This issue will be closely monitored and brought back before the Board if further budget reductions are necessary.

Criminal Division: The District Attorney's General Fund Budget is anticipated to come in within budgeted appropriations, due to the fact that eight positions have been left vacant to generate salary savings. Revenue projections are also lower than budgeted, due to funding reductions from State and County agencies. It is anticipated that the savings in appropriations will offset the revenue reductions, so no adjustments are requested at this time.

The Chief Executive Office has requested a targeted reduction of $403,510 for the District Attorney Criminal budget. At mid-year the Department is projecting they will be unable to achieve this target.

Rural Crimes Task Force: The department has requested to decrease both revenue and appropriations by $28,416 in this budget due to the receipt of the final grant award letter for this program.

Elder Abuse Advocacy and Outreach: The department has requested to decrease both revenue and appropriations by $12,980 in this budget due to the receipt of the final grant award letter for this program.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
DA-Rural Crimes	($28,416)	($28,416)	$0		
DA-Elder Abuse	($12,980)	($12,980)	$0		
Total	($41,396)	($41,396)	$0		

Summary of Recommendations: It is recommended to decrease appropriations and revenue by $41,396 to reflect final grant awards for these programs.

PROBATION

Administration, Field Services and Institutional Services: The Chief Probation Officer has requested that the Auditor-Controller and the Chief Executive Officer be given the authority to process future Department requests to transfer appropriations among the three budget units of Administration, Field Services and Institutions in order to ensure these budgets end the year in a positive position.

In the 2008-2009 First Quarter Budget the Department requested a reorganization study of management positions allocated to Field Services, Institutional Services and JJCPA budgets. The proposed recommendation will restructure the Department's management resources, including the deletion of one management position, and will provide an overall savings in salaries of approximately $64,000 annually.

The Chief Executive Office has requested a targeted reduction of $533,985 for the combined budget units of Administration, Field Services and Institutions. The Department is projecting at mid-year achieving a reduction of $458,828. They are unable to achieve the full reduction due to salary and benefit expenses.

Juvenile Accountability Block Grant: The State has notified the Probation Department that there will be a small increase in funding available in this budget. Because this is a claiming grant the department is required to expend the funds prior to reimbursement from the State. Additional funds will be used for the education and training component within the grant's scope of work. Training currently recommended by the State for this program is Cognitive Behavior Facilitator Training. Facilitators will then train Deputy Probation Officers to work directly with juveniles on behavior modification strategies.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Field Services				Reorganization study of management positions	Delete one Chief Deputy Probation Officer position and delete classification
Field Services				Reclassify upward one Manager III - Safety position and establish new classification	Manager IV - Safety
Institutional Services				Reclassify upward one Chief Deputy Probation Officer position and establish new classification	Assistant Chief Probation Officer
Institutional Services				Reclassify upward one Manager III - Safety position	Manager IV - Safety
JJCPA				Reclassify upward one Manager III - Safety position	Manager IV - Safety
JABG - Education & Training	$290	$290	$0	Additional State allocation	
Total	$290	$290	$0		

Summary of Recommendations: It is recommended to increase appropriations and revenue by $290 to reflect the increase in funding available. Additionally, it is recommended that the Auditor Controller and the Chief Executive Officer be granted authority to approve the Chief Probation Officers request to transfer appropriations among the three budget units of Administration, Field Services and Institutional Services. It is further recommended to reclassify upward three Manager III – Safety positions to Manager IV – Safety. Additionally, it is recommended to reclassify upward one Chief Deputy Probation Officer position to

Assistant Chief Probation Officer and delete one Chief Probation Officer position, decreasing the Department's total allocated positions to 255. It is also recommended to establish the Assistant Chief Probation Officer and Manager IV-Safety classifications.

SHERIFF

The Sheriff has requested that the Auditor-Controller and the Chief Executive Officer be given the authority to process future Department requests to transfer appropriations among the three budget units of Administration, Detention and Operations in order to ensure these budget units end the year in a positive position. It is recommended that this request be granted.

The Chief Executive Office has requested a targeted reduction of $1,935,019 for the combined budget units of Administration, Detention and Operations. At mid-year the Department is projecting to end the year with a $624,000 reduction attributed to a hiring freeze, reduced salary costs and a reduction in community events.

Administration: The Department is requesting to delete a vacant, funded Account Clerk III position and add a Staff Services Coordinator position in its place. The Staff Services Coordinator position would allow a broader scope of duties such as permitting the Department to pursue grant opportunities that are now passed over. In addition, some of the administrative duties carried out by deputy sheriff's would be redirected and centralized allowing the deputies to concentrate more fully on their primary duty of public safety. Although there is no fiscal impact to the current year associated with this request, the difference in salary costs would add approximately $28,500 on an annual basis in future years. As a result of the County's reduced levels of revenue this request is not recommended for approval at this time.

Contract Cities: The Sheriff's Department is requesting an increase of $115,000 in Salaries and Benefits appropriations for overtime and extra-help costs for front-line law enforcement in the cities of Hughson, Patterson and Riverbank. An increase of $115,000 in Charges for Services estimated revenue would offset the expenditures. Funding will come from the Supplemental Law Enforcement Services Funds (SLESF) and from an Office of Traffic Safety grant. It is recommended that appropriations and estimated revenue be increased by $115,000.

The Chief Executive Office has requested a targeted reduction of $15,602 for the Contract Cities budget. At mid-year the Department is projecting they will be unable to achieve this target.

Court Security Services: The current agreement between the Sheriff and the Superior Court allows for the reimbursement of costs incurred by the Sheriff for the provision of security services to the Court. During the proposed budget submission, the Sheriff's Court Security appropriations budget was decreased due to a portion of Workers' Compensation and Unemployment Insurance costs being funded by Risk Management's fund balance. Since these expenditures are billed to and reimbursed by the Courts, the offsetting amount of estimated revenue also should have been decreased from the budget. This did not occur, resulting in a decrease to the net county cost contribution. To correct this, the Department is requesting a decrease of $18,424 to Charges for Services estimated revenue which will impact the General Fund contribution. It is recommended that estimated revenue be reduced by $18,424 to be absorbed by the fund balance of the General Fund.

The Chief Executive Office has requested a targeted reduction of $2,743 for the Court Security budget. At mid-year the Department is projecting they will be unable to achieve this target.

Detention: The Department is requesting an increase of $1,142,980 in Salaries and Benefits appropriations for the last three months of the fiscal year. This increase would fund one existing but currently unfunded Deputy Sheriff-Custodial position for the narcotics detection canine unit, an additional full-time Transportation Deputy position and 45 new positions in the Detention budget. The narcotics canine position for the Custodial Division would assist staff with searching of facilities to control inmate access to illegal drugs. Adding the Transportation Deputy position would replace two part-time, extra-help reserve deputies currently used as part of the team covering the task of transporting inmates to and from local, State and Federal facilities. The request of 40 of the 45 new positions is the result of an independent staffing study conducted by the firm of Crout and Sida Criminal Justice Consultants, Inc. The study identified approximately 55 Deputy Sheriff-Custodial positions that are needed to adequately carry out all of the requirements of Title 15 California Code of Regulations, also known as California Minimum Jail Standards, for the Stanislaus County jail system. The Department is currently asking for 35 of the 55 positions and an additional five Sergeant-Custodial positions to fill critically needed facility posts at the Main Jail, Public Safety Center and Honor Farm which were identified as inadequate in the staffing analysis. The remaining five positions are requested to staff a transition team for the expansion of the Public Safety Center. This team would consist of one sergeant and four deputies to monitor, facilitate, assist and direct the building and opening of the new facility.

An additional $94,000 increase to Services and Supplies appropriations is requested to purchase standard issue equipment (stab vests, tazers, rain coats, leather gear and badges) for the 47 new positions requested.

Although the legitimacy of some of these requests is recognized, the Crout and Sida staffing study mentioned above is still under review by County staff and will be presented to the Board in the coming weeks. We await that presentation ensuing discussion before any recommendations can be proposed.

California Identification Program (CAL-ID): The Department is requesting an increase of $312,126 in appropriations to be offset by an increase of $5,576 in interest earnings and the remainder of $306,550 from existing fund balance. The use of Cal-ID funds was approved on December 19, 2008, by the Remote Access Network (RAN) board which is made up of law enforcement officials from agencies within Stanislaus County. An increase of $20,000 in appropriations to Salaries and Benefits will fund overtime costs necessary for LiveScan training for the newly filled position. Services and Supplies appropriations will increase by $230,047 to fund a maintenance contract for the LiveScan equipment, various docks, chargers and finger scanners, maintenance supplies, trainings and installation costs of the LiveScan/LiveID lighting, equipment and backgrounds. An increase of $8,600 in appropriations to Other Charges will fund vehicle charges and an additional $53,479 increase to Fixed Assets will fund additional LiveScan machines.

It is recommended that the $312,126 increase to the various appropriations categories and the increase of $5,576 to estimated interest revenue be approved with the remaining costs of $306,550 funded by existing fund balance. This program is fully funded by a dedicated revenue source ($1.00 vehicle registration fee assessment by the State) which was approved by the Board of Supervisors in 1998.

Vehicle Theft: The Stanislaus County Automobile Theft Task (StanCATT) program is a multi-jurisdictional program fully funded by a dedicated revenue source resulting from AB1663 and Vehicle Code 9250.14(g) where the State collects an additional fee of $1 and an additional service fee of $2 on all commercial motor vehicles and continuously appropriates the money to fund local programs related to vehicle theft crimes. The Sheriff is requesting an increase of $16,149 to Services and Supplies appropriations to fund a payment for personnel reimbursement to one of the cities participating in the taskforce. This one-time expenditure was approved at the 11/6/08 Law Enforcement Executives Meeting. Estimated Miscellaneous Revenue is increasing by $1,107 due to consignment sales, and the remaining $15,042 will be funded by fund balance.

It is recommended that appropriations be increased by $16,149 and estimated revenue be increased by $1,107 with the remainder covered by fund balance.

Inmate Welfare: The Inmate Welfare Fund currently funds eight positions for Commissary Operations and Program Administration that are allocated in the Detention Budget. The Sheriff's Department is requesting that these eight positions (one Sergeant-Custodial, one Deputy Sheriff-Custodial, one Account Clerk III, one Storekeeper II and four Stock/Delivery Clerk II positions) be transferred from the Sheriff's Detention Budget to the Sheriff's Inmate Welfare Budget. These positions are currently funded by the Inmate Welfare Fund. No additional funding is requested.

The Department is requesting an increase of $29,147 to Salaries and Benefits appropriations to fund $18,435 additional personal service contract costs for the Chaplain from fund balance. Also requested is $10,712 in additional costs to add one Deputy Sheriff-Custodial position to administer the Honor Farm Vocational Landscape Course. Funding for this position will be achieved through a reduction in the use of extra-help staff and a $10,712 increase in the use of fund balance. The goal of the landscape program is to successfully integrate county jail inmates back into society and reduce recidivism by providing employment skills.

An increase of $12,000 in Services & Supplies appropriations is requested to fund additional testing services and will be funded by the use of fund balance. The Stanislaus Literacy Center is under contract with the Department to provide tutoring and GED testing services.

In March 2008, the County entered into a five year contract with Global Tel*Link Corporation (GTL) to provide inmate telephone services to the detention facilities in Stanislaus County. An additional service is available from GTL that will allow long-term storage of inmate telephone records. An increase of $20,000 in appropriations in Fixed Assets is being requested in order to purchase two new servers that will allow for long-term storage, both on-site and off-site. The purchase of this equipment was approved by the Inmate Welfare Committee on December 18, 2008 and will be funded by a one-time use of available fund balance.

Finally, it is requested that estimated Miscellaneous Revenue be reduced by $541,245 due to a decrease in commissary and telephone revenue. Staff shortages have required a reduction from $100 to $60 in the weekly amount that each inmate is allowed to spend on commissary items. The result is a total reduction of $375,102 in Commissary sales. In addition, an anticipated increase in telephone revenue through the new contract with GTL has not been realized, resulting in a $166,143 decrease of estimated revenue.

It is recommended that all Inmate Welfare requests be approved – increase Salaries & Benefits appropriations by $29,147, Services and Supplies appropriations by $12,000 and Fixed Assets appropriations by $20,000; decrease estimated Miscellaneous Revenue by $541,245. The net effect is an increased use of $602,392 of fund balance. The overall mid-year cash balance of $982,822 is sufficient to cover these requests.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
SO-Contract Cities	$16,000	$16,000	$0	Increase Salaries & Benefits for extra patrol and clerical overtime funded by City of Hughson's Supplemental Law Enforcement Services Fund (SLESF)	
SO-Contract Cities	$10,000	$10,000	$0	Increase Salaries & Benefits for overtime costs funded by City of Patterson's Office of Traffic Safety (OTS) / DUI Grant	
SO-Contract Cities	$70,000	$70,000	$0	Increase Salaries & Benefits for extra patrol costs funded by City of Riverbank SLESF	
SO-Contract Cities	$19,000	$19,000	$0	Increase Salaries & Benefits for overtime costs funded by City of Riverbank's OTS/DUI Grant	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
SO-Court Security	$0	($18,424)	$18,424	Decrease Charges for Services to reflect the decrease in Workers' Compensation and Unemployment Insurance costs	
SO-Detention				Transfer out eight positions to Inmate Welfare	Transfer out one Account Clerk III, one Deputy-Sheriff Custodial, one Sergeant-Custodial, one Storekeeper II, four Stock Delivery Clerk II positions
SO-Cal-ID	$20,000	$5,576	$14,424	Increase Salaries & Benefits for overtime for training the newly filled position funded by increased interest income and Fund Balance	
SO-Cal-ID	$230,047	$0	$230,047	Increase Supplies & Services for Livescan equipment, maintenance agreement, and outside training	
SO-Cal-ID	$8,600	$0	$8,600	Increase Other Charges for vehicle expenses	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
SO-Cal-ID	$53,479	$0	$53,479	Increase Fixed Assets for additional LiveScan equipment	
SO-Vehicle Theft	$16,149	$1,107	$15,042	Increase Services & Supplies for staffing reimbursement to participating cities funded by increased consignment sales and fund balance	
SO-Inmate Welfare				Transfer in eight positions from Detention	Transfer in one Account Clerk III, one Deputy-Sheriff Custodial, one Sergeant-Custodial, one Storekeeper II, four Stock Delivery Clerk II positions
SO-Inmate Welfare	$10,712	$0	$10,712	Add position to administer the Honor Farm Vocational Landscape Course	Add one Deputy Sheriff-Custodial position
SO-Inmate Welfare	$18,435	$0	$18,435	Increase Salaries & Benefits for Chaplain	
SO-Inmate Welfare	$12,000	$0	$12,000	Increase Service & Supplies for Stanislaus Literacy Center (SLC) contract	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
SO-Inmate Welfare	$20,000	$0	$20,000	Increase Fixed Assets for hard drive storage	
SO-Inmate Welfare	$0	($541,245)	$541,245	Decrease Miscellaneous revenue	
Total	$504,422	($437,986)	$942,408		

Summary of recommendations: It is recommended that $504,422 in increased appropriations be approved and funded by increased revenue of $121,683 and $382,739 from fund balance. In addition, it is recommended to decrease estimated revenue by $559,669 resulting in a corresponding decrease to fund balance. The overall net effect is an increase of $504,422 in appropriations, a decrease of $437,986 in revenue and a use of $942,408 in fund balance. It is further recommended that the Auditor-Controller and the Chief Executive Officer be given the authority to process future Department requests to transfer appropriations among the three budget units of Administration, Detention and Operations. It is also recommended to transfer one Account Clerk III, one Deputy Sheriff-Custodial, one Sergeant-Custodial, one Storekeeper II, and four Stock Deliver Clerk II positions from Detention to Inmate Welfare. Additionally, it is recommended to add one Deputy Sheriff-Custodial position to Inmate Welfare, increasing the Department's total allocated positions to 676.

SUMMARY

Overall, for the Board of Supervisors priority area programs of *A safe community* expenditures are recommended to increase by $463,316 and revenue is recommended to decrease by $479,092. Additionally, use of fund balance is recommended to increase by $942,408.

A healthy community

COUNTY DEPARTMENTS

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

A healthy community

OVERVIEW

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

DEPARTMENTAL EXPENDITURES

As of December 31, 2008, expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A healthy community* are at $195.4 million compared to $194.0 million for the same period one year ago. This amount represents 42.4% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 40.1% to 41.7% of the total yearly expenditures, bringing this year slightly above the two year average.

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

- A $22,000 net decrease in the Area Agency on Aging and Veterans' Services budgets to balance their budget. This budgeted decrease is primarily due to decreases in contracted services, travel and training;

- A $2.1 million net decrease in the Behavioral Health and Recovery Services' budgets. This budgeted decrease is primarily due to a reduction in expenses associated with the sale of the Stanislaus Behavioral Health Center to Doctors Medical Center that occurred in October 2007;

- A $325,000 net decrease in the Children and Families Commission budget. This is primarily due to timing of receipt of contractor invoices;

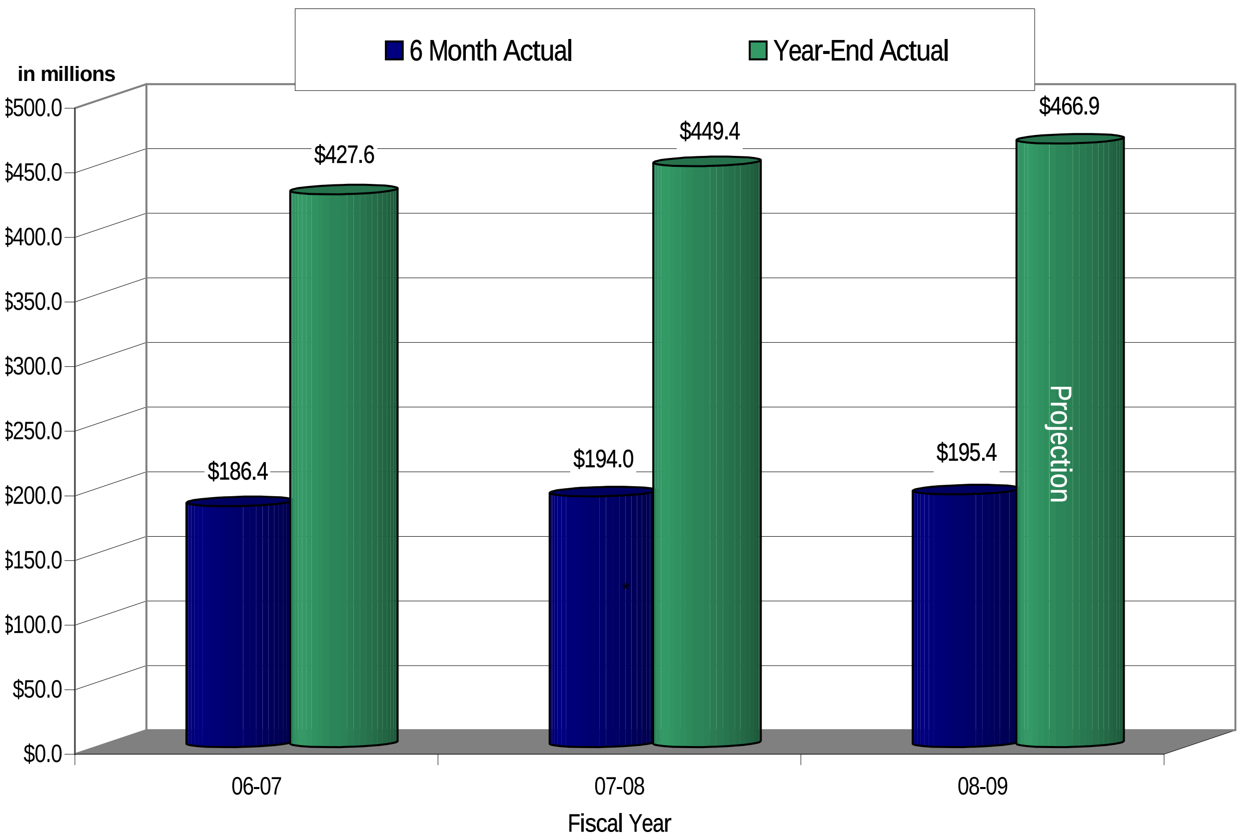
- A $450,000 net decrease in the Child Support Services budget. This is primarily due to reductions in maintenance and operations and reduced staffing costs associated with the recent reduction-in-force that the Department had and a mandatory over-time project last year in preparation for the statewide computer system conversion;

- A $5.2 million net increase in the Community Services Agency's budgets. This is primarily due to negotiated wage increases for the In-Home Supportive Services Individual Providers and increases in assistance payments; and

- An $830,000 net decrease reflecting lower costs in the Health Services Agency's budgets. This is primarily due to implementation of strategic operating efficiencies in the Clinic and Ancillary Services 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:*

A healthy community—Departmental Expenditures
Three Year Comparison



DEPARTMENTAL REVENUE

As of December 31, 2008, revenue for the departmental budgets that are a part of the Board of Supervisors priority area of *A healthy community* are at $162.1 million compared to $173.2 million for the same period one year ago. This amount represents 36.1% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 33.3% to 37.7% of the total year collections, placing this year within 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 $150,000 net increase in the Area Agency on Aging and Veterans' Services budgets. This is primarily due to the availability of one-time Older American Act funding and the use of Public Facilities Fees (PFF) for lease costs;

- A $7.9 million net decrease in the Behavioral Health and Recovery Services' budgets. This is primarily due to the reduction of inpatient revenue from the sale of the Stanislaus Behavioral Health Center to Doctors Medical Center that occurred in October 2007;

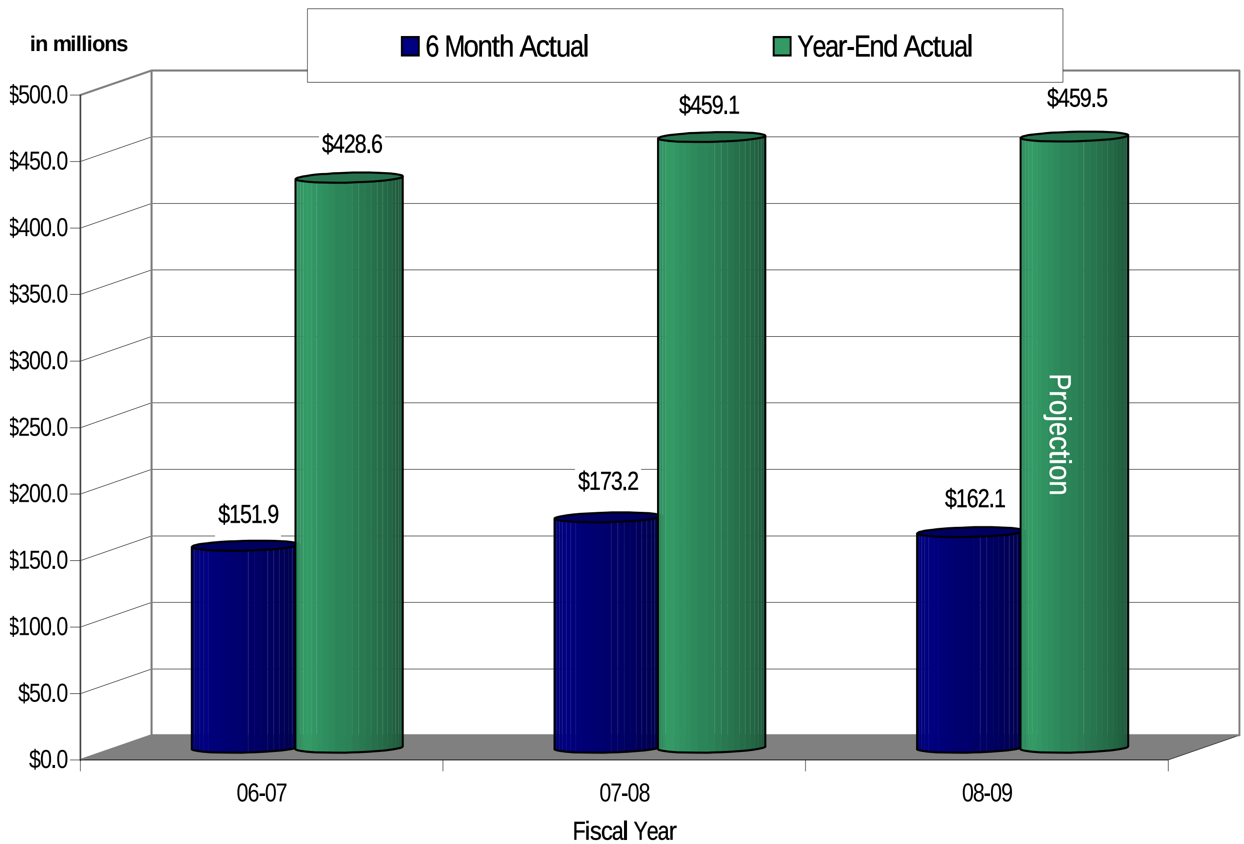
- A $900,000 net increase in the Child Support Services budget. This is primarily due to timing related to claims reimbursement from the State and the receipt of prior period funding in between those periods;

- An $8.2 million net increase in the Community Services Agency's budgets. This is primarily due to increased State and Federal funding for services related to the In-Home Supportive Services programs and an increase in funding for Public Economic Assistance payments; and

- A $12.7 million net decrease in the Health Services Agency's budgets. This is primarily due to a planned decrease in the one-time General Fund addition made last year in County Match funds to the Clinic and Ancillary Services budget, and timing of receipt of State and Federal funds.

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



MID-YEAR ISSUES AND RECOMMENDATIONS

AREA AGENCY ON AGING

Area Agency on Aging: The Area Agency on Aging (AAA) plans and coordinates senior services in Stanislaus County, and provides the Information and Assistance, Outreach, Family Caregiver, Linkages, and the Health Insurance Counseling and Advocacy Program (HICAP) as direct services.

The Area Agency on Aging is requesting to increase one-time appropriations of $65,000 and revenue of $72,765 from Federal Older American Act (OAA) funding. Of these funds, $33,000 would be used to increase the contracts with existing providers for congregate and in-home delivered meals for seniors in the County. The Department is requesting $20,000 to develop pilot projects to support the senior population in Stanislaus County and to use $12,000 for cost of living allowances for departmental staff through the end of the 2008-2009 Fiscal Year. In the Title 3 Supportive Services budget, due to reduced State funding for Supportive Services programs, the Department is requesting to decrease revenue of $7,765.

The Chief Executive Office has requested a targeted reduction of $9,653 in this budget unit. This amount would impact the maintenance of effort required to draw down Federal and State funds, as a result the Department is unable to achieve this target.

Veterans Services: During the 2008-2009 Proposed Budget the Department requested an increase in appropriations by $10,649 for cost of living increases and increased health insurance costs, this amount remains an exposure and will be evaluated during third quarter fiscal review.

The Chief Executive Office has requested a targeted reduction of $9,647 in this budget. At mid-year the Department is projecting they will not achieve this goal as a result of increased salary and benefit costs.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
AAA	$65,000	$72,765	($7,765)	Increase of one-time OAA appropriations and revenue	
AAA	$0	($7,765)	$7,765	Decrease appropriations and revenue due to reduced State funding for Title 3 Supportive Services	
Total	**$65,000**	**$65,000**	**$0**		

Summary of Recommendations: It is recommended to increase departmental appropriations and estimated revenue by $65,000. The Veterans Services' request for additional appropriations of $10,649 is recommended to be reviewed at third quarter.

BEHAVIORAL HEALTH AND RECOVERY SERVICES

Over the past few years, Behavioral Health and Recovery Services (BHRS) has experienced increases in the cost of doing business while revenue has remained flat. Combined with allocation reductions made at the State level to Health and Human Services programs, BHRS entered Fiscal Year 2008-2009 with an anticipated deficit of approximately $4,400,000. To balance the 2008-2009 Proposed Budget, and avoid a reduction-in-force, the Department used an equivalent amount of fund balance, for a one-time solution. The Department anticipates fully expending all available fund balance by year-end.

The Department has used this revenue shortfall as an opportunity to plan to reframe core mental health services using the Mental Health Services Act essential elements, which include community collaboration, cultural competence, client and family driven services, a wellness focus including the concepts of recovery and resilience, and an integrated services experience for clients and their families. Upon passage of the 2008-2009 State Budget, the Department's Senior Leadership team began an extensive review of its entire budget process and structure. This effort brought several issues to light and enabled the Senior Leadership team to determine exactly what revenue the Department could expect for Fiscal Year 2009-2010. As a result, the Department will be working towards closing an approximate $4,500,000 structural gap in the next six months.

In addition to tightening expenditures, other efforts have already been made:

- BHRS currently has 48 vacant, unfunded positions, in addition to 22 vacant, funded positions. Until a final operations plan is made, these positions will remain vacant as potential landing spots for Department staff;

- The Department is continuing its strategic hiring freeze, with all hiring decisions discussed and carefully considered by the senior leadership team prior to any action;

- All travel requests and equipment purchases are carefully reviewed against the budget by the appropriate senior leadership prior to authorization and kept to the minimum necessary to continue operations;

- Outside leases are reviewed as they expire for possible program consolidation and transfer into County-owned property. Two programs serving children are expected to move into County facilities when existing leases expires in March 2009;

- A Productivity Project has been implemented to increase efficiency and maximize revenue claims. A target has been established by the Director and communicated to all staff. Reports have been developed and are posted on the Department's intranet for all staff to review;

- The Director has kept all BHRS staff apprised of the budget situation and has requested that all staff consider how they can contribute to Department efficiencies;

- A monthly report has been developed to manage the escalating costs of temporary help. Management of all temporary staffing requests has been centralized under one manager. The Department is already seeing positive results from this change;

- An Administrative Services Quality Improvement Council (QIC) work group has convened to ensure there are desk manuals in all clerical staff workstations that can be accessed by temporary help or other team member during the absence of clerical support. The QIC team is also developing a strategy for accessing temporary help, either via agency or from other Department programs, through a clerical time pool; and

- Through the Mental Health Services Act Prevention and Early Intervention planning process, the Department has made significant strides in its goal of community collaboration and development.

<u>Mental Health Services</u>: The Department is requesting a decrease in appropriations of $596,468 and a reduction in estimated revenue of $2,337,019 that will result in the additional use of departmental fund balance of $1,740,551. These budget adjustments are due to:

- The anticipated growth in Realignment revenue for Fiscal Year 2007-2008 did not materialize resulting in a decrease of $726,301 to the Fiscal Year 2008-2009 baseline;

- Medi-Cal Federal Financial Participation (FFP) revenue is expected to be approximately $947,393 less than currently budgeted;

- Termination of the Mentally Ill Offender Grant on September 30, 2008 as a result of the State Budget crisis. This action reduced revenue by $381,233 and corresponding appropriations by $363,972;

- Allocation cuts at the State level have required the Community Service Agency (CSA) to reduce funding for StanWORKs by a total of $241,924, subsequently decreasing appropriations by $148,530;

- Decreased appropriations in Services and Supplies of $74,893 related to the termination of professional service contracts for psychiatric care;

- Decreased appropriations of $289,073 for adolescents services that ended, with an offsetting increase of $280,000 for a new adolescent services contract, with a net decrease of $9,073;

- Notification on January 7, 2009 that, due to funding cuts at the State level, the Probation Department intends to cancel the contract with BHRS for Juvenile Drug Court services, resulting in a decrease in estimated revenue of $31,113. This program provides alcohol, drug, and mental health treatment for youth who are referred from the Juvenile Court and Probation Department. Loss of the funding from Probation will result in a change to the focus of the program. The Department is currently working on a plan for transition. The total contract was $136,080; and

- Other contracts reduction in estimated revenue of $9,055.

Other potential issues for the 2008-2009 Fiscal Year include notification by CSA that the CSA Seriously Emotionally Disturbed (SED) budget (Fund 1634) could end the year with insufficient appropriations of approximately $31,786 if current trends continue. This budget supports out of home placement costs for a vulnerable and statutorily mandated youth population. During the first six months of Fiscal Year 2008-2009, the SED caseload has grown faster than originally projected. This trend is due in part to cyclical movement of youth through the placement system and an increase in new families entering the system. In these situations, youth with previous "high risk" behaviors and lengthy hospitalizations are placed in residential treatment facilities to ensure safety and involvement in treatment. The Department is collaborating with CSA to develop a strategy to mitigate additional costs. The Department will work with CSA to monitor expenditure and revenue trends through the Third Quarter and return to the Board at that time, if necessary, should any spending authority adjustments be required beyond this mid-year forecast.

The Department's SB 90 State Mandates claims for Fiscal Years 2003-2004 through 2006-2007 were recently audited by the State Controller's Office (SCO). At that time the County was notified of a $2,222,907 audit exception. Findings were related to claiming practices put into place several years ago. Since the SCO was several years in arrears in their audit schedule, these practices continued until this last fiscal year. Changes were made in the Fiscal Year 2007-2008 State Mandates claim to avoid a finding such as this in the future. As is the Department's practice with potential Medi-Cal audits, a liability was established in anticipation of a large audit exception. There is currently sufficient funding this year to cover this payback.

Based on the Governor's proposed Fiscal Year 2009-2010 budget, the Department anticipates the following for Fiscal Year 2009-2010:

- This year's contract with the Community Services Agency (CSA) for StanWORKs services includes a $384,000 allocation from CSA's CalWORKs single allocation reserves. Allocation cuts to CSA have caused that Department to examine program expenditures. As a result, BHRS has been informally notified that the single allocation funds will not be available for Fiscal Year 2009-2010. These funds support mental health and substance abuse services to assist StanWORKs clients to return to the workforce. This funding is currently supporting BHRS staff that provides direct services for the First Step program located at Stanislaus Recovery Center and Sober Living Environment sub-contracts. In addition to the loss of single allocation, the Governor's Proposed Budget includes a proposal for a $.05 tax on alcoholic beverages, which is anticipated to replace the State General Fund allocation used for StanWORKs Mental Health and Substance Abuse services. By doing so, the funding becomes contingent upon annual tax collections and could be impacted by fluctuations in the economy;

- A decrease in Realignment revenue for mental health services of approximately 3.5%. In Fiscal Year 2008-2009, the anticipated growth of approximately $630,000 did not materialize;

- No increases to the State Maximum Allowable reimbursement rates for Medi-Cal and Early Periodic Screening, Diagnosis and Treatment services. These rates were reduced 3% in March 2008 and will remain status quo through Fiscal Year 2009-2010;

- The local Children and Families Commission provides $1,273,000 for the Leaps & Bounds program. This program provides school readiness activities for children 0-5 years of age. There is a proposed elimination of some of the Children and Families Commission funding being considered at the State level; and

- A proposed delay in certain State payments to counties, including the Proposition 1A approved repayment of State Mandated Claims prior to 2004. The Department is still owed $3,692,206. The original receivable for this revenue was liquated several years ago. Any future payments will help to fund the audit liability.

The Chief Executive Office has requested a targeted reduction of $39,543 in this budget unit. Through budget reduction measures put into place earlier in the fiscal year, the Department believes it will be able to achieve this goal.

<u>Alcohol and Drug Services</u>: The Department is requesting an increase in estimated revenue of $16,533 from deferred revenue to the Alcohol and Drug fund, as well as a reduction in appropriations of $46,719 for adjustments to contracts and advertising in Prevention Services. This will result in a positive adjustment of $63,252 to the Department's fund balance.

The Alcohol and Drug Services fund remains fairly stable. However, any changes at Stanislaus Recovery Center due to a reduction in contracted services by the Community Services Agency will force the Department to use additional Federal Block Grant funds. Use of these monies will directly impact the Department's ability to continue to fund outpatient drug and alcohol services at the Department's two remaining clinics.

Other potential impacts on the horizon for Fiscal Year 2009-2010 include:

- The Governor is proposing a $.05 tax on alcoholic drinks. The purpose of the tax is to move all State funded alcohol and drug programs out of the State General Fund and into the new Alcohol Prevention and Treatment Fund into which proceeds from the new tax would be deposited. This fund is intended to support all the State funded Alcohol and Drug programs including the Substance Abuse Crime Prevention Act, also known as Proposition 36, the required match for Drug Medi-Cal revenue, Drug Court Partnership, Comprehensive Drug Court Implementation Act, the Substance Abuse Offender Treatment Program and the StanWORKs Mental Health and Substance Abuse allocation. Potentially, this Act could reduce the amount of revenue available to fully fund all of these programs on July 1, 2009. It also makes continued funding contingent upon tax collections, which could be impacted by fluctuations in the economy; and

- The Families in Partnership program, which is an intra-County collaboration of the Community Services Agency (CSA), Probation and BHRS, is currently patched together with various funding sources from CSA. The program provides intensive services to families at risk of having their children removed due to substance abuse issues. CSA is committed to maintaining this program to avoid potential increases in foster care subsidies.

The Chief Executive Office has requested a targeted reduction of $1,462 in this budget unit. This amount would impact the maintenance of effort required to draw down State General Funds. To the extent possible, the Department will make every effort to reach this target through budget reduction measures.

<u>Managed Care Services:</u> The Department is requesting substantial changes in this budget to complete a plan to transform the focus of Emergency Services into one that provides the majority of it services directly at community locations, such as hospitals and public facilities. This plan includes the merger of the original Emergency Services program with the Community Emergency Response Team in the Mental Health Services Act budget. The Department is requesting that appropriations be reduced by $2,089,250 and estimated revenue by $1,345,736 to accommodate this merger. This will result in a positive contribution to departmental fund balance at year-end of $743,514. Additionally, the Department is requesting to transfer 12 allocated positions to the Mental Health Services Act budget. These requested changes complete that transformation.

This budget is also responsible for payment of emergency, crisis, and hospitalization services for uninsured residents of Stanislaus County and the match for Medi-Cal eligible residents of Stanislaus County. The primary expense to the Managed Care budget is for hospitalization services for both uninsured and Medi-Cal consumers. The County's psychiatric inpatient facility was sold to Doctors Medical Center of Modesto in November 2007. As a result, the County contracts with Doctors Behavioral Health Center and other out-of-area facilities for hospitalization. During the Proposed Budget process, the Department identified a potential unmet need of approximately $1,852,325 to fully fund services. Of this amount, $1,235,475 was anticipated for hospital beds at an average of 28 per day and $616,850 in match funding for County physicians to provide services at Doctors Behavioral Health Center. During the first half of Fiscal Year 2008-2009, the average census has dropped to approximately 15 County patients per day. In addition, the contract with Doctors Medical Center for the provision of psychiatrists has been terminated. As a result the Department is no longer projecting an unmet need in this budget.

The Governor's Proposed Budget for Fiscal Year 2009-2010 eliminates the State General Fund allocation provided for Mental Health Managed Care services and recommends diverting funding from the Mental Health Services Act fund to pay for Medi-Cal's specialty mental health services. However, The Mental Health Services Act was a voter-approved initiative with funding committed to community mental health services. Any changes to the Act require another ballot initiative. There is also a continuing dispute at the State level related to the interpretation of the Act's non-supplantation language.

At this time, there are no proposals in the Governor's Proposed Budget that would impact the Managed Care program. However, during the Department's recent analysis of its budget, it was found that administrative costs attributable to facilitating the County's Employee Assistance Program were being absorbed by other Department programs. To fully fund this program, it would cost $64 per County employee. The Department has recently been asked to maintain costs at its current rate of $59 per County employee. The Department is in the process of determining what services could be maintained at this funding level without a further subsidy from the Department.

The Chief Executive Office has requested targeted reductions in this budget of $819 for Managed Care services and $2,512 for County Employee Assistance services. Through budget reduction measures put into place earlier in the fiscal year, the Department believes it will be able to achieve the Managed Care goal. However, any reduction in the Employee Assistance program puts the burden of covering a benefit for all County employees solely on Behavioral Health and Recovery Services.

The following transfers are requested to accommodate the merger and accounting change of the Community Emergency Response Team: one Administrative Clerk III, one Clinical Psychologist, one Manager III, six Mental Health Clinician II, and three Psychiatric Nurse II positions.

Mental Health Services Act: The Mental Health Services Act is funded through a 1% tax on incomes over $1,000,000. There are five components of the Act: Community Services and Supports; Workforce Education and Training; Prevention and Early Intervention, Capital Facilities and Information Technology; and Innovations. Of these, two components have been implemented, Community Services and Supports in 2006 and Workforce Education and Training in 2008. The Department is in the stakeholder input process for Prevention and Early Intervention and anticipates submission of a plan to the California Department of Mental Health in the Spring. The Department is also preparing its Information Technology Plan and developing a Request for Proposals for a new operating system and electronic health record. This plan is also anticipated to be submitted this Spring. There is currently no process for the Innovations funding.

The Department anticipates using Mental Health fund balance in the amount of $771,187 to maintain Mental Health Services Act programs at their current levels through June 30, 2009. This is due in part to a one-time allocation of $3,457,500 in Fiscal Year 2007-2008 that was not fully sustained in Fiscal Year 2008-2009. The Mental Health Services Act allows for a 10% set-aside into a local operating reserve. In anticipation of this need, the Department set aside $809,440 from the last planning allocation increase. In future years, the Mental Health Services Act will be held to the available funding.

The requested $2,089,250 increase in appropriations and $1,318,063 in estimated revenue, along with the transfer of 12 allocated positions, is the result of merging the former Emergency Services program, budgeted within the Managed Care budget, with the Community Emergency Response Team in the Mental Health Services Act budget unit. As part of the Mental Health Services Act planning program, a plan was developed to transform the focus of Emergency Services into one that provides the majority of its services in the community. This change completes that transformation and allows for better monitoring and management of total program expenditures and revenue.

Reconciliation of actual tax receipts to projected planning estimates is done by the State approximately two years in arrears. Prior to this fiscal year, the Department was able to expect additional funding as a result of higher than projected tax receipts. A plan for additional funding for Fiscal Year 2008-2009 Community Services and Supports is currently at the State awaiting approval. Unfortunately, with a downturn in the economy, the Department does not anticipate future funding opportunities beyond the current baseline. In fact, there is discussion in the Legislature of how the State may borrow unencumbered Mental Health Services Act funds to offset its General Fund deficit. Any change to this voter-approved program requires a new ballot initiative. The impact of this action remains to be seen for both this fiscal year and into future years.

The following transfers are requested to accommodate the merger and accounting change of the Community Emergency Response Team: one Administrative Clerk III, one Clinical Psychologist, one Manager III, six Mental Health Clinician II, and three Psychiatric Nurse II positions.

Public Guardian Services: The Department is carefully analyzing programs in all Department funds to develop an operations plan for the remainder of this fiscal year and Fiscal Year 2009-2010, including the Office of Public Guardian. Each County, through State Probate laws, is mandated to have an Office of Public Guardian. Since the 1980's, administration of the Office has been through Behavioral Health and Recovery Services (BHRS). The Department believes that this relationship best serves the public and the County due to both the statutorily required services and the interaction between conservatorship administration and mental health treatment and placement costs. In the last four years, the Department has streamlined Public Guardian services to the point that any additional cuts would be detrimental to those it is mandated to serve. The staffing and expenditures will continue to be monitored in order to ensure efficiency and effective service.

During the proposed Fiscal Year 2008-2009 budget process, BHRS requested $314,198 in unmet needs to continue services status quo in this budget unit. Of that amount, $125,000 was approved with the balance to be reviewed at mid-year. During the first six months of this year, the Public Guardian's Office has streamlined costs to the best of their ability, without totally impacting services to this vulnerable population, including the release of a long-term extra help Account Clerk. The Department is still projecting an $84,170 deficit in this budget. It is recommended that the Department use fund balance for this continuing need. Currently, there is a negative fund balance of $442,436 in this budget. This shortfall will be funded by Mental Health's primary fund balance that currently has over $10 million. The Department does not anticipate achieving the 3% targeted reduction of $20,790 requested by the Chief Executive Office as part of the mid-year review.

Stanislaus Recovery Center: Stanislaus Recovery Center's (SRC) revenue is a patchwork of various funding sources. The primary funding streams are the court-ordered Substance Abuse and Crime Prevention Act (SACPA), more commonly known as Proposition 36, and contract funds from the

Community Services Agency's (CSA) StanWORKs and Child Welfare Services allocations. Both of these sources were impacted by the 2008-2009 State Budget.

In November, CSA and BHRS realized that the 2008-2009 agreement for residential and day treatment services to Child Welfare consumers was insufficiently funded to provide services as ordered by the Court. The Court requires that Child Welfare consumers participate in substance abuse treatment services in order to be reunified with their children. CSA is mandated to provide these services. Child Welfare staff is currently reviewing caseloads to prioritize court-ordered clients. To continue to provide these services, CSA will redirect $185,000 to the substance abuse services contract at SRC. An adjustment to account for these funds is included in the Department's budget adjustments.

There is also concern about the funding available for the Perinatal Substance Abuse contract with First Step, whose services are provided on-site at SRC. In collaboration with CSA, it is anticipated that First Step funding will remain status quo through June 30, 2009. However, to continue at this level, will exhaust CSA's reserves. The Department is working with all stakeholders to develop programming changes in Fiscal Year 2009-2010.

Stanislaus Recovery Center is the main treatment provider for SACPA and Offender Treatment Program (OTP) services. Both of these programs experienced funding cuts over the last three years. SACPA services are mandated, regardless of funding levels. Reducing the amount of service provided is not an option. Historically, the County has used Federal Substance Abuse Block Grant funds to cover the deficit. Unfortunately, that takes away the Department's ability to serve other, non-court ordered individuals seeking substance abuse help as the reserves in this funding source have been depleted. During the next six months, the Department will be working on development of other alternatives.

The 2008-2009 SACPA and OTP allocation reduction totaled $212,334, of which $68,000 directly impacts SRC, further exacerbating the funding situation. However, the Department overestimated the State cut slightly during the Proposed Budget process, so at this time the Department is requesting a $15,926 increase in proposed revenue to SRC. This amount is offset by a $57,567 unanticipated increase in expenditures at the Center, due primarily to an increase in intrafund expenses and the need to replace the water pump at the aging site. This will result in a $41,641 use of SRC fund balance and/or additional Federal Block Grant funds.

The Chief Executive Office has requested a targeted reduction of $15,349 in this budget. The Department will make every effort reduce costs in order to achieve this goal.

<u>Substance Abuse Crime Prevention Act</u>: The Department is requesting a reduction in estimated revenue of $43,936, and a reduction of $44,251 in appropriations, due to allocation cuts at the State level.

As has been the case for the past three years, funding for this voter-approved program was cut during the State Budget process. For Fiscal Year 2008-2009, SACPA received a reduction of $202,239. This is the second decrease to this funding source in the last two budget cycles. In Fiscal Year 2007-2008, the program was also reduced approximately $200,000. Unfortunately, the mandate to provide services to all eligible offenders remains in place regardless of funding levels. Caseloads have remained constant, resulting in the use of Federal Substance Abuse Block Grant monies to cover treatment costs. Redirection of these funds to SACPA decreases the availability of non-court ordered treatment services to other individuals.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Behavioral Health & Recovery Services	($596,468)	($2,337,019)	$1,740,551	Reduction in FFP and Realignment, StanWorks, Probation and other contracts reductions, elimination of MIO Grant	
BHRS - Alcohol & Drug	($46,719)	$16,533	($63,252)	Increase revenue from deferred revenue and decrease in contracts and advertising	
BHRS - Managed Care	($2,089,250)	($1,345,736)	($743,514)	Transfer out the Emergency Services program to MHSA (Prop 63)	Transfer out one Administrative Clerk III, one Clinical Psychologist, one Manager III, six Mental Health Clinician II, and three Psychiatric Nurse II positions
BHRS - Mental Health Services Act (Prop 63)	$2,089,250	$1,318,063	$771,187	Transfer in the Emergency Services program from Managed Care	Transfer in one Administrative Clerk III, one Clinical Psychologist, one Manager III, six Mental Health Clinician II, and three Psychiatric Nurse II positions
BHRS - Public Guardian	$84,170		$84,170	Critical need for Salaries & Benefits to sustain Public Guardian staffing	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
BHRS - Stanislaus Recovery Center	$57,567	$15,926	$41,641	Increase in Offender Treatment Program allocation and increased Intrafund expense from State funding reduction to the SACPA allocation	
BHRS - Substance Abuse Crime Prevention Act (SACPA)	($44,251)	($43,936)	($315)	Reduction in State allocation and Intrafund expenses from SRC	
Total	($545,701)	($2,376,169)	$1,830,468		

Summary of Recommendations: It is recommended to decrease expenditures by $545,701 and estimated revenue by $2,376,169, resulting in the increased use of departmental fund balance of $1,830,468. It is also recommended to transfer the following twelve positions from Managed Care to Mental Health Services Act (Prop 63) budget: one Administrative Clerk III, one Clinical Psychologist, one Manager III, six Mental Health Clinician II, and three Psychiatric Nurse II positions, maintaining the Department's total allocated positions of 429.

CHILD SUPPORT SERVICES

Child Support Services: The major services provided by the Department of Child Support Services (DCSS) are the collection and distribution of child support; location of non-custodial parents and employers; establishment of paternity and child support orders; enforcement of child support orders; legal representation in child support matters; establishment and enforcement of medical support; and child support services for cases where a parent resides out of State.

Administration: The Department is requesting a decrease in appropriations of $900,245 and a decrease in revenue of $112,294, which will result in a decrease in the Department's use of the fund balance in the 2008-2009 Fiscal Year of $787,951. The decrease in the use of fund balance will help to assure that the Department can continue to function in the future during this period of economic challenge and decreased funding.

In the Proposed Budget for Fiscal Year 2008-2009, the Department of Child Support Services (DCSS) identified major State funding decreases for Maintenance and Operation (M&O) and Printing budgets as the Department migrated from multiple automated consortia systems, to a State unified automated system for supporting child support enforcement and for print and mail costs totaling $834,225. Based on the anticipated level of State funding available for Fiscal Year 2008-2009, the Department maintained all existing vacant positions, established a no fill policy for any additional vacancies, and began preparing for a reduction-in-force. Additionally, as a cost savings effort, on July 1, 2008, the Department exercised the early termination provision of the lease for 35,621 square feet of office space at the G3 Facilities on Crows Landing Road. DCSS relocated approximately 60 staff from the leased facility to the Community Services facility located on Hackett Road.

Electronic Data Processing – Maintenance and Operations: The Department is requesting a decrease in appropriations of $113,240, the legal budget's portion of salary reductions associated with the RIF and relocation of staff from the G3 leased facility to the Community Service facility. The Department is also requesting a decrease in revenue of $164,015 due to the decreased State funding allocations. This will result in the Department's use of fund balance of $50,775 to purchase server software to ensure compliance with licensing requirements.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Child Support Services-Administration	($900,245)	($112,294)	($787,951)	Decrease in appropriations and revenue due to decrease State funding, decreased use of Department's fund balance	
Child Support Services-	($113,240)	($164,015)	$50,775	Decrease in appropriations and revenue due to decreased State funding, and increased use of Department fund balance	
Total	($1,013,485)	($276,309)	($737,176)		

Summary of Recommendations: It is recommended to decrease appropriations by $1,013,485 and to decrease estimated revenue by $276,309, resulting in the Department's use of $737,176 fund balance for the remainder of the 2008-2009 Fiscal Year.

COMMUNITY SERVICES AGENCY

The Community Services Agency continues to assume full receipt of the Realignment base as identified by the State Controller's Office for Fiscal Year 2008-2009; however, the Agency has experienced a downward trend in Realignment cash receipts through December 2008. Realignment funding is a significant revenue source with the Agency's budget, providing 59.8% of the mandated County share of program costs. Re-evaluation of estimated Realignment revenue will be included as part of the Third Quarter Financial Report analysis and submission by the Agency.

As a part of mid-year, CSA is requesting a change in office hours that would eliminate extended hours for CSA on Wednesday evenings effective March 1, 2009. While the reduction in hours will not create a monetary budget savings, it will allow for more efficient deployment of staff during the core business hours when the majority of customers seek services. The original intent for the "late-stay" Wednesday was to accommodate the needs of working customers so they too could access services while not interfering with their normal working schedules. However, less than 1% of the customers served by CSA actually use the availability of extended hours. Eliminating the extended hours on Wednesday will produce many positive business efficiencies in reception area customer processing, timeliness of responses to phone calls and improved access to emergency benefit issuance. It is recommended to eliminate extended hours for CSA on Wednesday evenings effective March 1, 2009.

Program Services and Support: During the first six months of Fiscal Year 2008-2009, attrition did not occur as quickly as anticipated by the Community Services Agency (CSA). In addition, final State allocations have been received and funding is in different places/programs than anticipated at first quarter. In order to remain within program funding levels and avoid a reduction-in-force, the Department is requesting a reduction in appropriations of $711,000 in its Operations budget. A decrease of approximately $111,000 was achieved by assuming two current vacancies along with one known retirement of a Manager III with suspended funding for the balance of the year. The remaining $600,000 reduction directly affects generic operations accounts including staff development, communications, and regular operating overhead supplies and support costs, and includes the removal of the anticipated $88,000 expense for the CSA portion of the Community Services Facility (CSF) HVAC replacement/upgrade project. Due to the delay in the implementation of the CSF HVAC Capital Project, it is anticipated that payments for the financing of the HVAC would not be made in Fiscal Year 2008-2009. This mid-year budget leaves minimal funding to meet discretionary operational expenditures for the last half of the fiscal year.

The Agency is requesting a decrease in appropriations of $72,767 due to the planned delay in Fixed Asset purchases for various electronic data processing projects, offset by an increase in appropriations of $74,120 to maintain the Audit Contingency account. Additionally, the Agency is requesting a technical adjustment to decrease appropriations by $200,000 to resolve a budget discrepancy created in the Audit Contingency account at Final Budget.

In addition, the Agency plans to implement a new service within the Foster Care program to provide Foster Care Social Security Advocacy which is a legislative mandate of Assembly Bill (AB) 1633 (Chapter 465, Statues of 2007). The Bill requires counties to screen eligible foster youth who are least 16.5 years of age and no more than 17.5 years of age to apply for Social Security Income (SSI)/State Supplemental Payment (SSP) as appropriate. To comply with the provisions of AB 1633 and provide a potential additional revenue source for Foster Care, CSA prepared a Request for Qualifications to contract with an experienced SSI vendor in Fiscal Year 2008-2009, and included appropriations and estimated revenue for contract costs of $10,000 in this mid-year submission.

The Chief Executive Office has requested a targeted reduction of $95,235 for the Services and Support budget. The Department is projecting to achieve the full targeted amount of $95,235 through use of audit contingency funds.

<u>Child and Family Services:</u> The Department is requesting an increase in appropriations of $338,000 to support an increase of contract expenses related to child protection services, to be funded by $170,000 of the reductions in overall department operations discussed previously in this narrative, the utilization of $100,000 from CSA - County Children's Fund and approximately $68,000 in increased Child Welfare allocation funds.

At mid-year, the Child and Family Services Division experienced an unexpected increase in the use of substance abuse services and counseling for the families served in the various child protection programs. Substance abuse services are provided both through Behavioral Health and Recovery Services and through local private contractors. Services include outpatient and inpatient services. In the continuum of care, CSA contracts with clean and sober living environments for families before they transition to more independent living. At mid-year, two primary contracts for substance abuse services had been fully encumbered for Fiscal Year 2008-2009. A third contract for counseling services was almost fully encumbered.

The Child and Family Services Division has seen an increase in the co-occurrence of mental health and substance abuse issues in the families it serves. It is important to note that almost three quarters of the substance abuse outpatient treatment are provided to families in voluntary services in an effort to provide pre-preventative placement services and reduce the occurrences of children being removed from the family and placed into foster care by the Juvenile Court. The provision of these services for voluntary cases has allowed CSA to maintain a low rate of foster care in Stanislaus County while maintaining the safety and well-being of the most vulnerable children. At this time, referrals for substance abuse services and counseling for voluntary services have been stopped due to budget constraints. This reduction of substance abuse treatment for these families will likely increase the number of children unable to safely remain home which in turn would increase the number of children entering foster care and increase the costs to the County General Fund for providing foster care.

Substance abuse services and counseling programs are frequently ordered by the Juvenile Court as part of a parent's "reunification plan" once a child is declared a dependent of the court.

<u>Adult Services:</u> The Department is requesting an increase in appropriations of $175,000 to support the redirection of three Social Worker staff from the StanWORKs division to In-Home Supportive Services (IHSS) Case Management, to be funded by $66,622 of the reductions in overall department operations described previously, and a $108,378 increase in the IHSS program allocation of State and federal funds.

The Adult Services Division has experienced a series of staff redirections and reductions over the last few budget cycles in order to remain within program allocation funds. The Adult Protective Services program specifically has been greatly impacted by years of flat funding, recent funding reductions, unfunded positions and most recently by the redirection of one Social Worker to IHSS effective January 1, 2009. The impact of this move will reduce the overall number of investigations that staff can perform causing them to focus only on the most critical cases while other cases would be investigated at a later time. The number of social workers in the intake unit has been reduced from three to one and two clerical staff has been moved into the unit to assist with data input functions which allows for only the one social worker to perform direct phone work. With the loss of social work staff in the intake unit, it is likely that the response time for non-emergency return calls will be delayed.

In-Home Supportive Services Program (IHSS): The total requested increase to the IHSS program is $9,791,200 at mid-year, and is funded by $8,026,826 in State and Federal funds. This increase generates recommendations to fund $1,764,374 for the County's portion of this increase. As part of the 2008-2009 Final Budget, funds were set aside in the Appropriations for Contingencies budget for this purpose. With this increase the total estimated appropriations for Fiscal Year 2008-2009 for the IHSS Individual Provider (IP) are $51,154,417. The $9,791,200 increase will be used to fund the United Domestic Workers of America (UDWA) wage agreement and planned caseload growth. The total County cost for the IHSS at mid-year for Fiscal Year 2008-2009 after the increase is $8,000,788. CSA is able to use other Federal and State funding sources for a portion of the $8,000,788 required county contribution resulting in a net General Fund cost of $2.5 million of the total $51 million in appropriations.

The State bills the counties for the County share of this program on a monthly basis. In the absence of the requested additional General Fund support, CSA projections, which are based on 6 months of actual billings, indicate that CSA will not have the County funds to pay for services beyond March 2009 for the effective month of April 2009.

It is important to note that the Fiscal Year 2008-2009 UDWA wage agreement approved by the Board of Supervisors was based on a caseload growth rate of 5.4%. The actual Fiscal Year 2007-2008 expenditures reflected a caseload growth experience of 8.2%. As a result, a current total estimate for IHSS IP in Fiscal Year 2008-2009 based on this growth factor would equate to $52,261,674 (excludes Provider Benefits budgeted in Fund 1641). With this projection, the County General Fund need for IHSS Program would grow to $1,822,222. This is an additional county exposure of $57,848 from the original Proposed Budget request. The Agency will continue to monitor monthly IHSS caseload and request necessary adjustments at third quarter, if necessary.

StanWORKS: The Agency is requesting a decrease in appropriations of $263,054 and a decrease in estimated revenue of $734,579 to reflect final allocations in CalWORKs, Medi-Cal and Food Stamps. Caseload increases are being experienced in every program. The requested adjustment is supported through an increase in utilization of fund balance of $471,525. There are two factors contributing to the increase. First, there has been a dramatic increase in the number of individuals and families applying for and receiving CalWORKs, Medi-Cal and Food Stamps during the past six months due to the economic downturn and the high unemployment rate in Stanislaus County. Second, caseload increases have occurred due to the staffing reductions over the last few budget cycles including the redirection of Family Services Specialists to other funded programs/projects to remain within the StanWORKs allocations.

During the first six months of Fiscal Year 2008-2009, attrition did not occur as quickly as anticipated in the Family Services Specialist classification series. In order to find sustainable funding for these staff program and operations were reviewed to determine the strategies that would produce a savings and continue to support the most critical functions. The reduction in overall department operations discussed previously in this narrative produced a savings in the StanWORKs programs of approximately $.5 million. This savings provided the funds necessary to absorb the addition of eight previously unfunded casework staff which avoided a reduction-in-force. In addition, CSA has assumed two known management retirements effective April 2009 and these positions will remain vacant with suspended funding for the balance of Fiscal Year 2008-2009 for a net increase in staffing projections of six for the last half of the fiscal year.

CalWORKs/Welfare to Work: CalWORKs funding is insufficient to fund the full increased level of need for direct and supportive services to customers. These services are vital for customers' success in the Welfare to Work Program and would add an additional $1.3 million, if funds were available. The StanWORKs division has identified program strategies that would produce a savings in order to support some of these vital services to customers. Currently three social workers provide Supplemental Security Income (SSI) Advocacy to CalWORKs adults with a diagnosed physical and/or mental health condition that is determined to be of a long term nature. Although this strategy has been successful and has helped CalWORKs adults obtain the necessary documentation to fulfill the Social Security Administration's requirements and obtain long term disability cash and medical assistance this is not a mandated function within the CalWORKs/Welfare to Work (WTW) program. Therefore, the three social worker positions will be redirected to Adult Services. In addition, the Stage 1 Child Care program is experiencing a lower than anticipated caseload growth. The lower caseload, along with new program strategies to increase cost effectiveness, will create a combined surplus of approximately $600,000 that can be used to support CalWORKs WTW direct expenditures through the end of Fiscal Year 2008-2009. This is a one-time savings that is not anticipated to be available in Fiscal Year 2009-2010. The customer impacts of not being able to sustain the full need for customer services are:

- Inability to document hours of participation for Welfare to Work customers, leading to reduced Work Participation Rates resulting in Federal and State imposed fiscal sanctions;

- Customers are unable to receive the recommended amount of supportive services. Supportive services are defined as those items that are necessary to assist WTW customers in participating in program activities that lead to employment. The services may include payments for transportation costs (bus tickets, bus passes, gasoline, car repairs and insurance), costs associated with vocational training (books, tuition, boots, tools, certifications), and costs associated with employment (clothing, tools, equipment specifically required for employment); and

- Direct service contracts have been reduced and affect the assistance available for customers to develop the skills needed to be successful in employment. This includes job placement services, on-the job training, and vocational training. Direct services also includes services that assist customers in reducing barriers to employment including mental health treatment, alcohol and drug counseling, and assistance with learning disabilities.

Medi-Cal/Food Stamps: Based on the final allocations for Medi-Cal and Food Stamps, these programs are unable to sustain the staffing level that materialized in the first half of the year, for the balance of 2008-2009. A plan to redirect staff work efforts from Medi-Cal and Food Stamps into CalWORKs and other programs that have sustainable funding has been enacted. The following are the program impacts due to the reduced staffing levels in Medi-Cal and Food Stamp programs:

- Increased application processing time frames which may lead to non-compliance with State Medi-Cal performance standards. Increased application processing time frames may also have an impact on the services provided through Health Services Agency within the clinic setting;

- Inability to process Medi-Cal re-determinations timely. This may result in non-compliance with State Medi-Cal performance standards;

- Inability to process Food Stamp redeterminations timely which may result in non-compliance with State Department of Social Services performance standards and future fiscal penalties;

- Increased Medi-Cal Eligibility Data Systems (MEDs) Alerts leading to non-compliance with State Medi-Cal performance standards;

- Inability to process Income and Eligibility Verification System (IEVS) Reports within State mandated time frames. This may lead to the overpayment/underpayment of benefits to customers in receipt of Food Stamps and CalWORKs;

- Inability to process quarterly income reports within State mandated time frames resulting in decreased accuracy ratings for the Food Stamp program;

- Inability to process monthly State Q5I/Work Participation Reviews within State mandated time frames; and

- Inability to document hours of participation for Welfare to Work customers, leading to reduced Work Participation Rates resulting in Federal and State imposed fiscal sanctions.

CalWORKs Mental Health/Substance Abuse Treatment (MH/SAT): The final allocation for CalWORKS also impacted the CalWORKs Mental Health/Substance Abuse Treatment program. In order to avoid a reduction in the level of service available to customers enrolled in the Welfare to Work program CSA will partner with Behavioral Health and Recovery Services and hope to utilize one-time CalWORKs funds to sustain the program through the end of the fiscal year.

Medi-Cal Personally Identifiable Information (PII): On November 25, 2008 CSA received Board of Supervisors' approval to enter into the Medi-Cal Data Privacy and Security Agreement with the California Department of Health Care Services (DHCS) to ensure the privacy and security of Medi-Cal PII. In order to comply with the specific requirements to secure the Medi-Cal PII data outlined in the agreement, the DHCS will provide funding to the County over the two-year implementation period scheduled for completion on July 1, 2010. For Fiscal Year 2008-2009, CSA is requesting a one-time increase in appropriations and estimated revenue of $800,000. Although funding for this new mandate is expected to be allocated over the course of Fiscal Year 2008-2009 and 2009-2010, due to the current financial climate, there is no assurance the 2009-2010 funding will be allocated. Additionally, the Agency is requesting an increase in appropriations and estimated revenue of $22,298 to reflect the use of increased State Fraud Incentives for Fixed Assets to meet the Medi-Cal PII security mandate.

Refugee Social Service (RSS): The Agency has received notification that the County is eligible to receive Refugee Social Services (RSS) funds of $358,768 for Federal Fiscal Year 2008-2009. The Agency is currently working with the California Department of Social Services (CDSS) on the development of a spending plan which is required in order to access these funds. The plan at this time is to contract with an outside vendor to provide refugee services in the amount of approximately $314,230 and utilize approximately $44,538 of redirected staff time for the administration of the program. It is anticipated that full utilization of these funds will occur in Fiscal Year 2008-2009 and the Agency has requested appropriations and estimated revenue for this new program within this mid-year submission.

Case Management, Information and Payrolling System II (CMIPS II): The CMIPS II Project consists of an enhancement to the current IHSS program automation system. The existing CMIPS System provides a statewide database and central processing for IHSS programs to support three primary functions: 1) case management, 2) payroll, and 3) administrative information. CMIPS II will provide the same functionality with enhancements for improved accessibility and many automated features to improve the user-friendliness and efficiency of the system. Planned technical improvements offer increased accountability to program administrators including counties, the State and the Federal government.

CMIPS II Project development and implementation phases have an estimated completion time of three years. For Fiscal Year 2008-2009, CSA has received CMIPS II funding of $216,000 for initiation and pre-engagement activities. Due to the State's delay in providing project funds along with instructions, they have allowed for flexibility in the use of funds between Fiscal Year 2008-2009 and 2009-2010. Therefore, the Agency is requesting an increase in appropriations and estimated revenue of 41%, or $91,000, of the allocation in Fiscal Year 2008-2009 and the remainder funds will be transferred to the next fiscal year.

Public Economic Assistance: The overall increase in the CalWORKs program reflects the increased need for public assistance resulting from the economic downturn, housing instability and increased unemployment experience in the County. CSA is requesting on-going increased appropriations of $1,798,842 along with an increase in Federal and State revenue of $1,754,628. This increase supports an additional 384 cases, for an average monthly total of 9,482 per month, with a reduction of $12.67 in the average monthly grant to $519.16 in All Other Families and an increase of 172 cases, for an average monthly total of 1,386, with a grant reduction of $37.55 to $647.67 in Two Parent Family programs through June 30, 2009.

The Department is requesting an appropriations and revenue decrease of $227,149 for the Refugee Cash Assistance program. The average caseload decreased 44 to 145 per month. The average grant decreased $37.80 to $268.45. These decreases represent caseload and average grant reduction to align with the most recent trends. The Refugee program is 100% federally funded and has no impact on the County General Fund.

A correction is required to the Public Economic Assistance Budget Unit to recognize the Stanislaus County Cash Assistance Program for Immigrants (CAPI). Public Law 104-193 prohibits benefits to legal, sponsored immigrants (non-citizen), residing in California, even though they meet the Social Security aged, blind, or disabled status. This population is served in California by providing cash assistance through Welfare and Institutions (W&I) Code Sections 18938 (a) (1) and (2). Rather than implement the program operations in every county, W&I Code 18937, authorized the establishment of consortia that would allow for one county to act on behalf of multiple other counties in the fiscal administration of the CAPI program. Specifically, the Bay Area CAPI Consortium formed in November 1998 and is led by San Mateo County to administer the program. The Board of Supervisors subsequently approved Stanislaus County's participation in the Bay Area CAPI. Since its implementation, The Agency has never recognized the CAPI program within Stanislaus County's operating budget. San Mateo County operates the CAPI program for Stanislaus County in a fiduciary capacity; however, Stanislaus County is ultimately responsible for the accounting of the State funds provided, and benefits paid on the County's behalf, to needy elders in this County. As a result the accounting for this program should be reflected within the CSA budget and the Agency is requesting to establish both appropriations and estimated revenue within this mid-year submission. In recognition of the Cash Assistance Program for Immigrants (CAPI) the Department is requesting on-going appropriations and revenue of $1,660,779. The average monthly caseload is projected at 182 with an average grant of $758.86. This appropriation reflects the most recent trends and is projected to support the program for the Fiscal Year 2008-2009. The CAPI program is currently 100% State funded and recognition of the existing program will have no impact to the County General Fund.

Foster Care appropriations are requested to be reduced $188,410, along with a Federal and State revenue reduction of $71,048. The requested adjustment will result in a positive contribution to departmental fund balance of $117,362. Foster Care caseloads decreased six per month to an overall caseload average of 534 per month. The average grant decreased $11.56 to $1,619.83 per month. It is important to note that the trend and forecast for the Foster Care program is contingent on maintaining current case management efforts within the Child and Family Services programs and is at risk of increase should current contracts for substance abuse services and counseling prove insufficient to meet customer needs.

Increases in the Adoptions program represent positive progress in transitioning children from temporary out-of-home care into safe and stable living situations. The Adoptions caseload increased 14 cases, to an average of 1,044 per month, while the average grant decreased $5.63 to $787.48 per month. On-going appropriations are requested to increase $59,703 along with Federal and State revenue increase of $52,180, for services through June 30, 2009 resulting in a use of positive contribution to departmental fund balance of $7,523.

The Department is requesting a decrease in the Kinship Guardianship Assistance Payment Program (Kin-GAP) appropriations of $113,531 and a State revenue decrease of $95,230. The Kin-GAP caseload decreased 11 cases to an average of 29 per month. The average grant decreased $73.85 to $604.23 per month. This decrease is attributed to caseload and average grant reductions to align with the most recent trend in customer requests of Kin-GAP services. Families providing care for needy relative children may also receive services if eligible through the CalWORKs or Adoptions programs.

The Department is requesting an increase of $73,927 in appropriations and estimated revenue for Transitional Housing Program Plus (THP-Plus). These on-going program expansion funds support the addition of scattered sites services through June 30, 2009. These new services will provide an independent living arrangement for the THP Plus participant, while maintaining case management oversight. The THP Plus program is 100% State funded and has no impact on the County General Fund.

The Department is requesting to increase Child Support revenue $59,944. This amount is in line with the current reimbursement of County Share funding from the State. The current impacts of Temporary Assistance to Needy Families (TANF) customers timing out, priority of disbursement, the disregard increase of $100, and tax intercept recoupment of stimulus refunds are reflected in this new projection.

In the First Quarter Financial Report a realignment reduction on behalf of Public Economic Assistance, of $138,339, was recognized in the CSA Services and Support budget. This reduction was required to reflect the reduction to Stanislaus County base realignment as calculated by the State Controllers Office. This adjustment corrects the realignment distribution across CSA budget units in accordance with the approved Final Budget allocation methodology. The Department is requesting to recognize the decrease to realignment of $138,339 in the Public Economic Assistance Budget Unit.

The Department is also requesting an increase to Operating Transfers Out to CSA Services and Support of $5,531 to balance critical case management programs and avoid unmet needs.

The Chief Executive Office has requested a targeted reduction of $93,212 in the Public Economic Assistance budget. The Department will make every effort reduce costs in order to achieve this goal.

Seriously Emotional Disturbed Children (SED): Caseloads in this entitlement program have grown faster than originally projected. Behavioral Health and Recovery Services (BHRS) case manages these children and attributes the increased need for services in part due to cyclical movement of youth through placement systems. The Department is requesting ongoing appropriations increase of $185,344 to align with recent trends to support services through June 30, 2009. The Department is also requesting an increase to Intergovernmental Revenue of $74,138. The SED program is an open ended State entitlement program with a 40% State share.

The Department is requesting to decreases appropriations in Operating Transfers Out by $111,206, to ensure the budget remains balanced at the current County Match level.

The Chief Executive Office has requested a targeted reduction of $7,096 in this budget. The Department will make every effort reduce costs in order to achieve this goal.

County Children's Fund (CCF): Increased need for services within contracts necessitates additional match funding beyond the current appropriation level to avoid unmet needs in Children's programs. Contract services will provide for critical substance abuse and counseling for families and ensure that program services goals of CCF are met this fiscal year. To meet this need, the Department is requesting an increase in appropriations of $141,709. The requested budget adjustment is supported through an increase in utilization of fund balance of $141,709.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CSA - Services and Support	$8,026,826	$8,026,826	$0	Increase IHSS Program consistent with the MOU with State and Federal funds	
CSA - Services and Support	$1,764,374	$1,764,374	$0	Transfer from Appropriations for Contingencies through County Match for increase in IHSS program	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CSA - Services and Support	($711,000)		($711,000)	Decrease overall Department operations which creates savings to support staff and direct services for Child, Adult and StanWORKs programs	
CSA - Services and Support	$338,000	$68,000	$270,000	Increase Child and Family Services critical contracted services and maximize allocation revenue	
CSA - Services and Support	$0	$100,000	($100,000)	Increase Operating Transfer in from Fund 1637	
CSA - Services and Support	$175,000	$108,378	$66,622	Increase IHSS Admin case management	
CSA - Services and Support	$800,000	$800,000	$0	Increase to recognize new State project - Medi-Cal PII security mandate	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CSA - Services and Support	$91,000	$91,000	$0	Increase to recognize new State project - Case Management, Information Payrolling System (CMIPS) II	
CSA - Services and Support	$10,000	$10,000	$0	Increase - Operating contract for SSI Advocacy for Foster Care	
CSA - Services and Support	($72,767)	$0	($72,767)	Decrease to Fixed Assets to create savings and reserve for Audit Contingency	
CSA - Services and Support	$74,120	$0	$74,120	Increase to Audit Contingency Fund to utilize Fixed Asset savings	
CSA - Services and Support	$358,768	$358,768	$0	Increase to recognize new Federal program - Refugee Social Services	
CSA - Services and Support	($263,054)	($734,579)	$471,525	Decrease - StanWORKs programs (composite of CalWORKs, Food Stamps, Medi-Cal, MHSAT)	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CSA - Services and Support	$22,298	$22,298	$0	Increase Revenue State Fraud Incentives to cover Fixed Asset for Medi-Cal PII to meet security mandate	
CSA - Services and Support	($200,000)	$0	($200,000)	Technical correction to Audit Contingency Fund appropriations and fund balance	
CSA – Public Economic Assistance	$1,798,842	$1,754,628	$44,214	Increase in CalWORKs caseload growth offset by a decrease in average grant	
CSA – Public Economic Assistance	($227,149)	($227,149)	$0	Decrease in Refugee caseload growth and average grant	
CSA – Public Economic Assistance	$1,660,779	$1,660,779	$0	Add appropriations and revenue in recognition of the CAPI Program in Stanislaus County	
CSA – Public Economic Assistance	($188,410)	($71,048)	($117,362)	Decrease in Foster Care caseload and average grant	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CSA – Public Economic Assistance	$59,703	$52,180	$7,523	Increase in Adoptions caseload offset by a decrease in average grant	
CSA – Public Economic Assistance	($113,531)	($95,230)	($18,301)	Decrease Kin-Gap caseloads and decrease in average grant	
CSA – Public Economic Assistance	$73,927	$73,927	$0	Increase in THP plus expansion	
CSA – Public Economic Assistance	$0	$59,944	($59,944)	Increase in child support revenue	
CSA – Public Economic Assistance	$0	($138,339)	$138,339	Decrease in Realignment from Sales Tax and VLF Revenue	
CSA – Public Economic Assistance	$5,531	$0	$5,531	Increase in Other Sources (Operating Transfer out) to Services and Support	
CSA – Seriously Emotional Disturbed Children	$185,344	$74,138	$111,206	Increase in appropriations and State revenue to reflect growth in caseload and average grant	
CSA – Seriously Emotional Disturbed Children	($111,206)	$0	($111,206)	Decrease in Other Financing Uses (Operating Transfer Out)	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CSA - County Children's Fund	$141,709	$0	$141,709	Increase appropriations to support contracts; increase use of fund balance	
Total	$13,699,104	$13,758,895	($59,791)		

Summary of Recommendations: It is recommended to increase appropriations by $13,699,104 and estimated revenue by $13,758,895, which includes $11,994,521 of increased State and Federal funding and $1,764,374 of increased County Match funding, resulting in a positive contribution of $59,791 to departmental fund balance.

HEALTH SERVICES AGENCY

The Health Services Agency continues its pursuit of operational efficiencies and cost-saving initiatives. Although the Agency's Clinics and Ancillary Services budget is balanced and includes the planned General Fund contribution of $4.6 million, funding challenges still exist. The designation as a Federally Qualified Health Center Look-Alike (FQHC-LA) system allows the Agency to claim an increased reimbursement rate for Medi-Cal and Medicare services. However until the first full year (Fiscal Year 2008-2009) as an FQHC-LA system is completed and audited, the Agency receives a slightly lower reimbursement for these services. This will negatively impact the Enterprise Fund's cash position at year-end, but it is anticipated that the full rate of reimbursement will be received retroactively sometime during Fiscal Year 2009-2010.

Administration: The Department is requesting to reclassify a Confidential Assistant IV position that supports the Department Head. In 2003 the Chief Executive Office conducted a study of Executive Assistant positions county-wide and recommended upgrading this position as a result of other similar positions. The Department did not wish to upgrade the position at that time, however the position's duties have increased and now warrant an upgrade based on the original study.

Clinic & Ancillary Services: The Department is requesting a classification study of one Medical Records Clerk, one Staff Services Technician and one Social Worker IV positions. Additionally, the Department is requesting to transfer two Staff Nurse positions from its Clinic and Ancillary budget to the Agency's (IHCP) Indigent Health Care Program and to transfer one Community Health Worker III position from its Clinic and Ancillary Budget to the Public Health Women, Infants and Children (WIC) program. The Department is also requesting to delete one vacant Licensed Vocational Nurse II position and one vacant Pharmacy Technician position.

The Chief Executive Office has requested a targeted reduction of $136,748 for the Clinic and Ancillary Services budget. The Department is projecting to achieve the full targeted amount of $136,748.

Health Coverage and Quality Services (HCQS): The Department anticipates an increase in estimated revenue of $364,500. The Department had previously budgeted a decrease in annual revenue from the Anthem Blue Cross administrative agreement based on a termination notice by Anthem Blue Cross. However, that termination notice was rescinded resulting in additional funds that will be made available in the second half of this fiscal year. This additional revenue will enable HCQS to fully fund its current year operations, and eliminate the need to use the fund balance to cover the program expenditures as was originally submitted in the 2008-2009 Fiscal Year Proposed Budget.

Indigent Health Care Program (IHCP): The Department is requesting to transfer in two Staff Nurse positions from its Clinic and Ancillary budget to the Agency's (IHCP) Indigent Health Care Program.

The Chief Executive Office has requested a targeted reduction of $68,181 for the Indigent Health Care budget. The Department is projecting to achieve the full targeted amount of $68,181.

Public Health Division: The Department anticipates an increase in estimated revenue of $27,724 for the Public Health Division resulting from new private foundation grants and an increase in the Public Health Lab revenue projections. The Department is also requesting to reduce appropriations by $287,181 to conserve the use of the Public Health Division fund balance. This will result in a positive contribution to departmental fund balance of $314,905. A majority of these savings were accumulated as a result of vacant unfilled funded positions in this fiscal year.

The Department is requesting to transfer one Community Health Worker III position from its Clinic and Ancillary budget to Public Health Women, Infants and Children (WIC) program. Additionally, in the 2007-2008 Mid Year Budget the Department requested a study to add a Manager II position to support the Community Education and Planning (CAPE) program. As a result of this study the Department is requesting to reclassify a funded, vacant Public Health Nurse II position.

The Chief Executive Office has requested a targeted reduction of $29,182 for the Public Health Administration budget. The Department is projecting to achieve the full targeted amount of $29,182.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
HSA - Administration				Reclassify upward one Confidential Assistant IV position	Confidential Assistant V
HSA - Clinics and Ancillary Services				Transfer two positions to Indigent Health Care Program	Transfer out one Staff Nurse II and one Staff Nurse III positions
HSA - Clinics and Ancillary Services				Transfer position to Public Health	Transfer out one Community Health Worker III position
HSA - Clinics and Ancillary Services					Delete one Licensed Vocational Nurse II and one Pharmacy Technician positions
HSA - Clinics and Ancillary Services				Reclassify one Medical Records Clerk, one Staff Services Technician and one Social Worker IV positions	Study
HSA - Health Coverage & Quality Services	$0	$364,500	($364,500)	Increase in Blue Cross Revenue	
HSA - Indigent Health Care Program				Transfer two positions from Clinics and Ancillary Services	Transfer in one Staff Nurse II and one Staff Nurse III positions

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
HSA - Public Health	($287,181)	$27,724	($314,905)	Increase in State and Federal funding, decrease in Salary Expense and Services and Supplies	
HSA - Public Health				Reclassify one Public Health Nurse II position to support CAPE program	Manager II
HSA - Public Health				Transfer position from Clinic and Ancillary Services	Transfer in one Community Health Worker III position
Total	($287,181)	$392,224	($679,405)		

Summary of Recommendations: It is recommended to decrease appropriations by $287,181 and increase estimated revenue by $392,224 resulting in a positive contribution of $679,405 to departmental fund balance. It is also recommended to transfer one Staff Nurse II and one Staff Nurse III position from Clinics and Ancillary Services to Indigent Health Care Program budget and one Community Health Worker III position from Clinics and Ancillary Services to Public Health. Additionally, it is recommended to study one Medical Records Clerk, one Staff Services Technician, and one Social Worker IV positions. It is recommended to reclassify upward one Confidential Assistant IV position to Confidential Assistant V and one Public Health Nurse II position to Manager II. It is further recommended to delete one vacant Licensed Vocational Nurse II and one vacant Pharmacy Technician position, decreasing the Department's total allocated positions to 598.

SUMMARY

Overall, estimated revenue and expenditures for *A healthy community* are recommended to increase $11,917,737 and $11,563,641 respectively, and result in a use of departmental fund balance of $354,096. The additional projected revenue adjustments include a General Fund contribution of $1,764,374 and increased State and Federal 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 and programs assigned to this priority area include: Alliance WorkNet, Chief Executive Office - Economic Development Bank, and the Library. The Alliance WorkNet's major funding source is Federal funds, while the Library is supported by a special 1/8 cent sales tax and a contribution from the General Fund.

DEPARTMENTAL EXPENDITURES

As of December 31, 2008, expenditures for the departmental budgets that fall under the Board of Supervisors priority area of *A strong local economy* are at $10.2 million compared to $10.5 million for the same time period one year ago. This amount represents 38.6% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 31.3% to 34.9% of the total yearly expenditures, placing this year slightly higher than the two year range.

As part of the balancing strategy in the adopted Proposed Budget 2008-2009, the Board of Supervisors suspended appropriations for the Chief Executive Office - Economic Development Bank budget. This action, in addition to a $1.97 million reduction in appropriations for the Library in response to an expected decline in sales tax, resulted in a 16% reduction in appropriations within the priority area of *A strong local economy* when compared to the previous fiscal year.

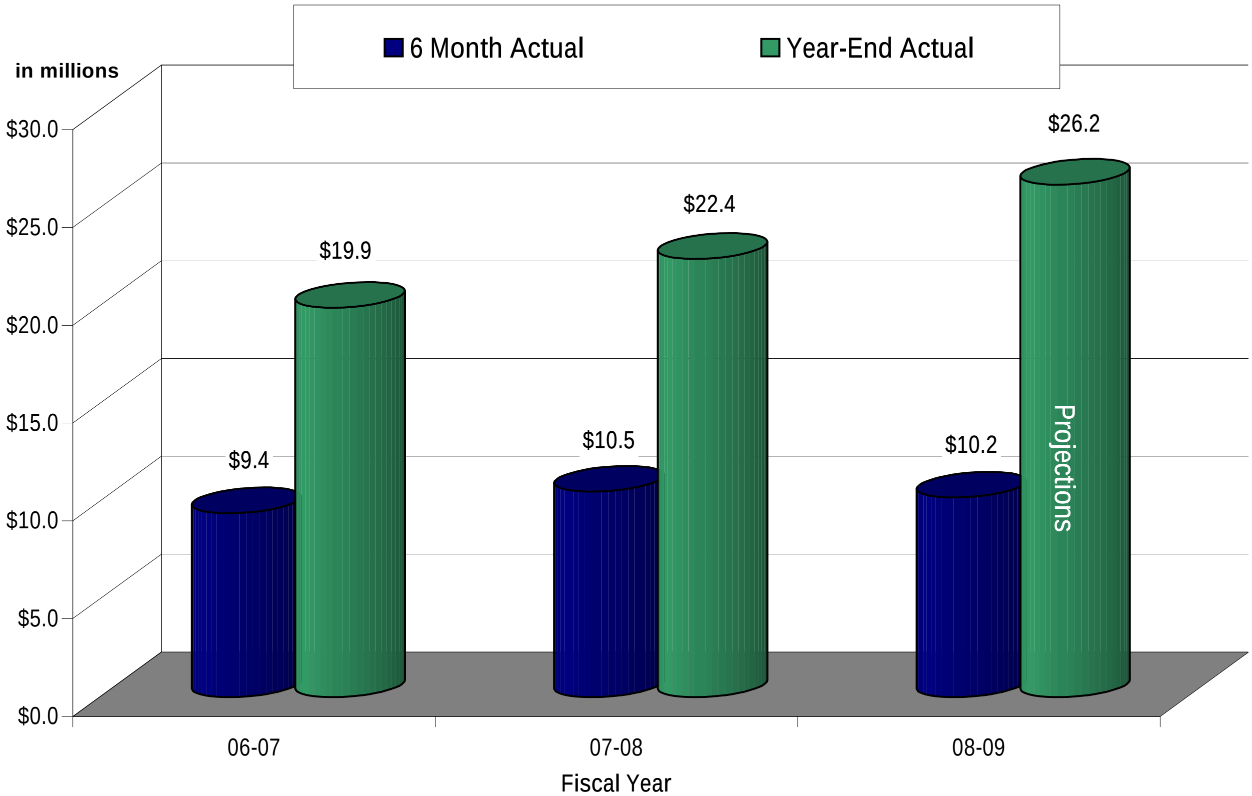
Some of the significant variations in departmental expenditures this year, compared to the same time period one year ago include:

- The Library, in response to declining sales tax revenue, reduced expenditures by $650,000 by decreasing Services and Supplies and extra help; and

- The Alliance WorkNet and Alliance STANWorks experienced a combined increase in expenditures by approximately $380,000 for costs related to re-training and employment services for displaced workers.

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:*

A strong local economy—Departmental Expenditures
Three Year Comparison



DEPARTMENTAL REVENUE

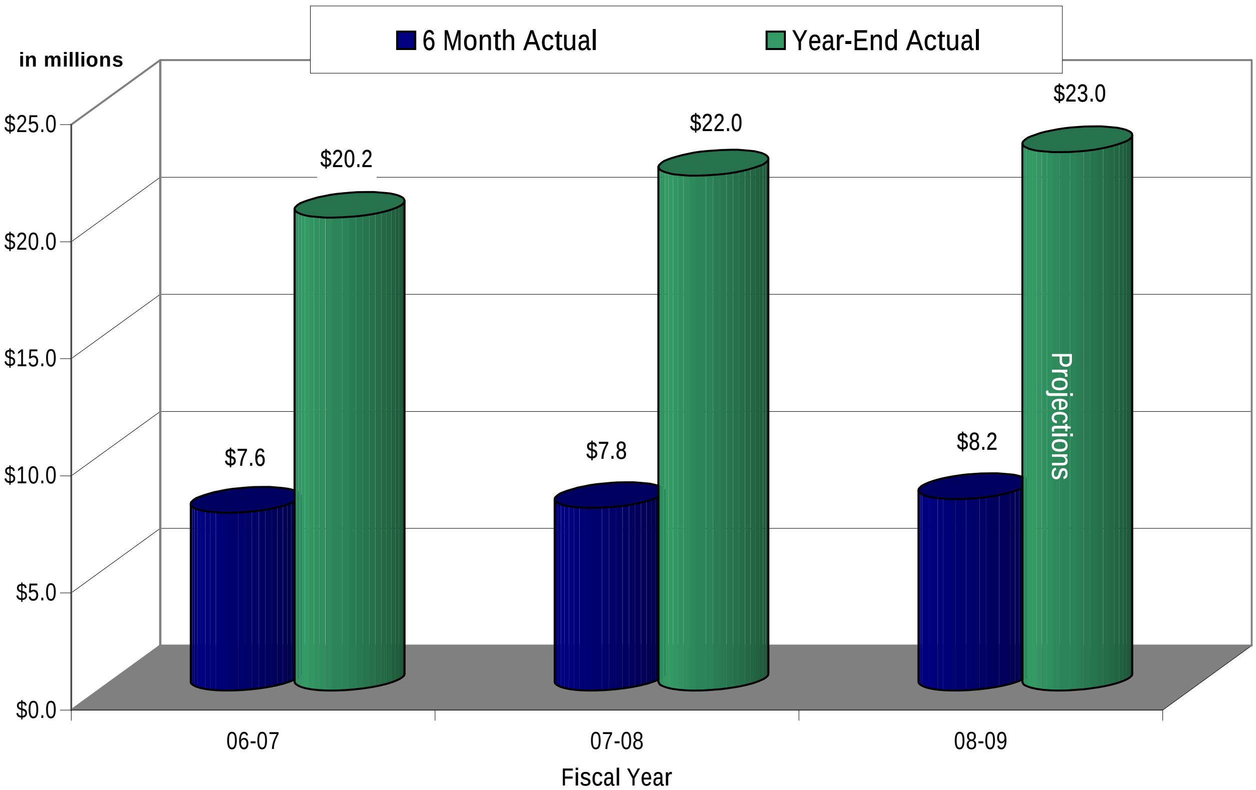
As of December 31, 2008, revenue for the departmental budgets in the Board of Supervisors priority area of *A strong local economy* are at $8.2 million compared to $7.8 million for the same time period one year ago. This amount represents 35.1% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 32.4% to 34.4% of the total year collections, placing this year slightly higher than the two year range.

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

- The Alliance WorkNet received $380,000 in increased revenue in comparison to the same time period one year ago due to increased Workforce Investment Act (WIA) program funding for displaced or dislocated workers.

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 local economy*:

A strong local economy—Departmental Revenue
Three Year Comparison



MID-YEAR ISSUES AND RECOMMENDATIONS

ALLIANCE WORKNET: During the mid-year review, the Alliance WorkNet conducted a thorough analysis of both its administration and StanWORKS budgets. Both were projected to end the fiscal year within budgeted appropriations. The Alliance WorkNet has requested adjustments to both budgets to account for anticipated changes in estimated revenue during the current fiscal year.

Administration: The Alliance WorkNet anticipates an increase in revenue of $336,419 coming from two new funding sources: $308,000 from the State of California in the form of an economic stimulus grant to provide re-employment services to dislocated workers and $28,419 from the National Emergency Grant to provide services to workers from the mortgage banking industry that lost their jobs due to the housing market collapse.

The Department has requested to delete the following vacant and unfunded positions: one Accountant II, one Family Services Specialist IV, and one Staff Services Analyst position. Additionally, in the 2008-2009 Final Budget the Department requested a classification study of one Application Specialist III position.

StanWORKS: The Alliance WorkNet was also notified by the Community Services Agency of a $100,000 reduction to its contract which provides a wide range of employment and training services to local Temporary Assistance to Needy Families (TANF) recipients. This reduction is a result of reductions imposed by the State of California to social services programs. The Alliance WorkNet anticipates accommodating the reduction by supplementing the contract budget with Workforce Investment Act (WIA) funds where allowable and reducing the level of funding allocated to sub-contractors.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Administration	$336,419	$336,419	$0	Increased revenue from State and National Emergency Grant for dislocated workers	
Administration				Delete vacant unfunded positions and restructure available resources	Delete one Accountant II, one Family Services Specialist IV and one Staff Services Analyst position
Administration				Reclassify upward one Application Specialist III position	Systems Engineer II, block-budget
StanWORKS	($100,000)	($100,000)	$0	Community Services Agency Contract Reduced	
Total	$236,419	$236,419	$0		

Summary of recommendations: It is recommended that appropriations and estimated revenue be increased in the Alliance WorkNet budgets by $236,419 to more accurately account for anticipated revenue in the current fiscal year. The recommendation includes new revenue in administration for additional services to dislocated workers and an adjustment for the reduction in the Alliance WorkNet's contractual obligation with the Community Services Agency for the provision of employment and training services for TANF recipients.

It is recommended to reclassify upward one Application Specialist III position to a block-budgeted Systems Engineer II. It is also recommended to delete one Accountant II, one Family Services Specialist IV and one Staff Services Analyst position, decreasing the Department's total allocated positions to 86.

LIBRARY

Administration: The Library is projected to end the year within the budgeted appropriations. Although revenue is projected to be down as a whole by $303,228, the Library anticipates being able to reduce expenditures to absorb the revenue shortfall. The reductions in revenue consist of a projected 5.2% decrease in sales tax amounting to $414,000, local revenue from fees and fines being down by $57,065, and the anticipated 3% targeted reduction, or $25,569, in County Match. The reduction is slightly offset by $193,406 in additional revenue that is likely as a result of the California State Library revising its Public Library Fees Maintenance of Effort calculation methodology and additional State funding for the ReadingWorks program administered through a partnership with the Stanislaus Literacy Center. This will result in offsetting revenue of $178,634 and $14,772, respectively.

The Library has requested a decrease in estimated revenue by the cumulative amount, in addition to a corresponding decrease to appropriations in Salaries and Benefits of $147,500 due to the adjustment of Group Health Insurance and a retirement cashout; Services and Supplies of $70,228 for the cancellation of the Brodart Co. contract for book processing, a reduction in the contract with Sonitrol, and the adjustment for the contract with the Stanislaus Literacy Center; Other Charges of $42,000 representing a move from Cost Allocation Plan (CAP) charges for Building Maintenance Janitorial Services to the Library operating account since the countywide janitorial contract has not be finalized as anticipated at the beginning of the fiscal year; and Fixed Assets of $43,500 for the sealing of the outside walls at the Salida Regional Library that will be funded through another source and cost savings that were realized in the Denair Library roofing project.

The Chief Executive Office has requested a targeted reduction of $25,569 for the Library budget. The Department is projecting to achieve the full targeted amount of $25,569 as a result of the actions listed above. The Department is adjusting revenue at this time to reflect the 3% decrease in county match.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Library - Salaries and Benefits	($147,500)	$0	$0	Group Health Insurance and Retirement cashout adjustment	
Library - Services and Supplies	($70,228)	$0	$0	Cancellation of Broadart Co. contract and reduction in spending	
Library - Other Charges	($42,000)	$0	$0	Move appropriations to Operating account for Janitorial Services	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Library - Fixed Assets	($43,500)	$0	$0	Use of Salida Project Fund 2009 for Salida Library wall sealing project and savings from Denair roofing project	
Library - Taxes	$0	($414,000)	$0	Projected decline in Sales Tax revenue	
Library - Inter-governmental Revenue	$0	$193,406	$0	Increase of Public Facility Fund from State and additional funding for ReadWorks program	
Library - Charges for Services	$0	($57,065)	$0	Projected decline in local revenue	
Library - County Match	$0	($25,569)	$0	Targeted 3% reduction in County Match	
Total	($303,228)	($303,228)	$0		

Summary of Recommendations: It is recommended that appropriations and estimated revenue be decreased in this budget by $303,228 to more accurately account for decreased revenue sources and to meet the 3% targeted reduction goal.

SUMMARY

Overall, estimated revenue and expenditures for the Board of Supervisors priority area of A strong local economy are recommended to decrease $66,809. The decreased revenue is primarily attributed to reduced sales tax.

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

DEPARTMENTAL EXPENDITURES

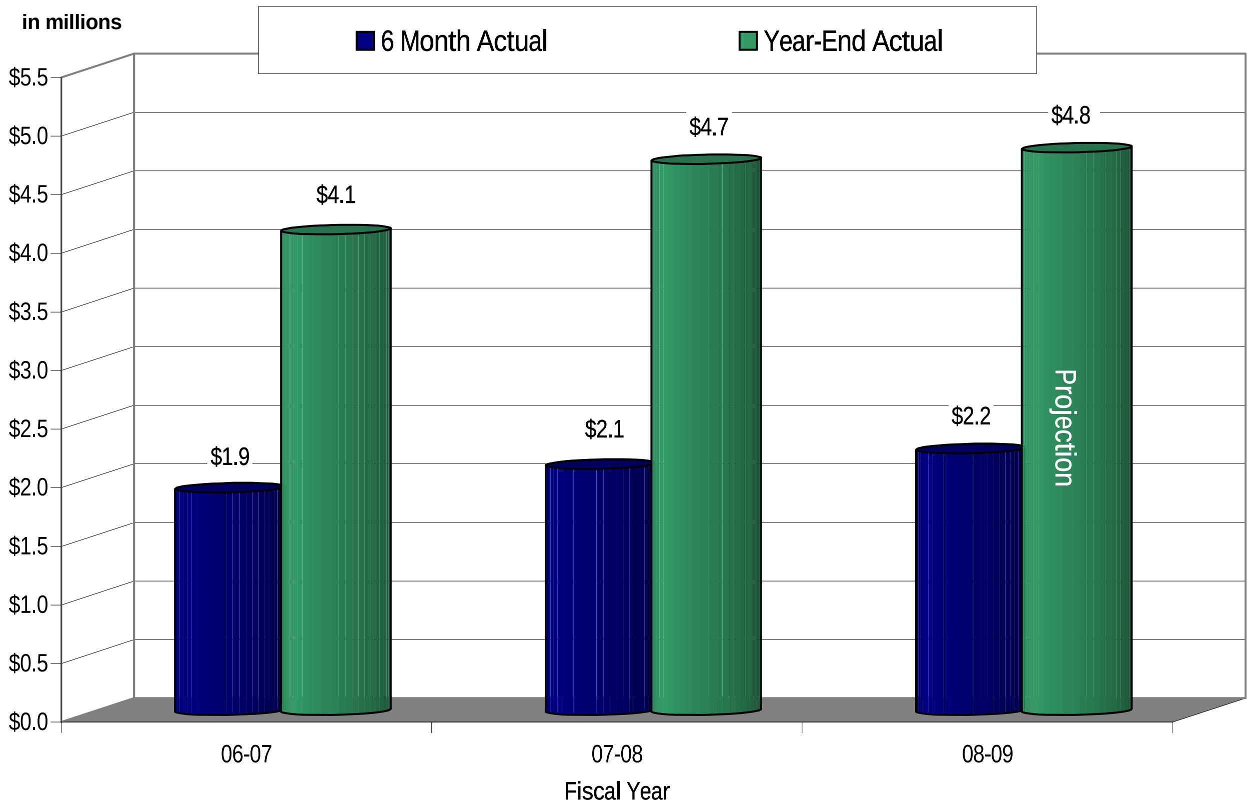
As of December 31, 2008, expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A strong agricultural economy/heritage* are at $2.2 million compared to $2.1 million for the same time period one year ago. This amount represents 45.6% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 42.9% to 43.5% of the total yearly expenditures, placing this year slightly higher than the two year range.

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

- An increase of approximately $100,000 in the Agricultural Commissioner Departments use of Fixed Assets for the purchase of pest detection/identification equipment, security equipment, and vehicles.

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*:

A strong agricultural economy/heritage—Departmental Expenditures
Three Year Comparison



DEPARTMENTAL REVENUE

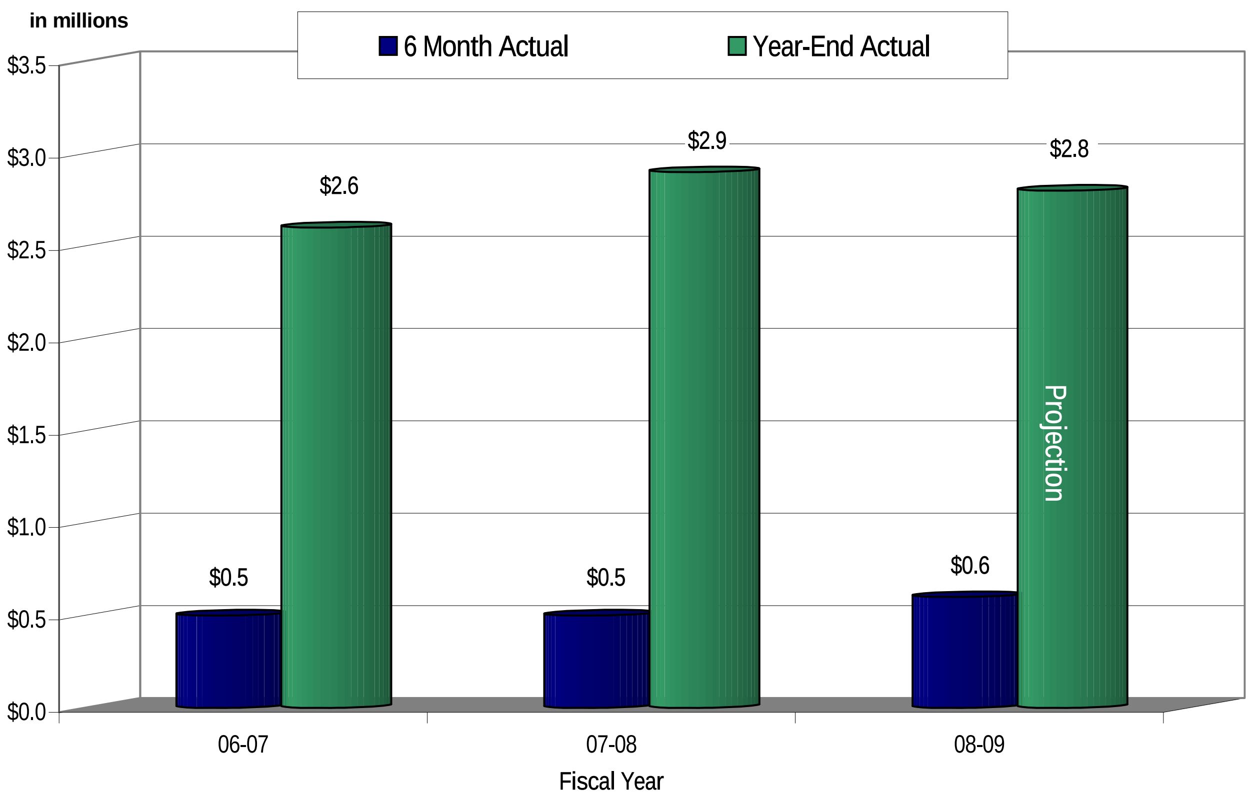
As of December 31, 2008, revenue for the departmental budgets that fall under the Board of Supervisors priority area of *A strong agricultural economy/heritage* are at $605,000 compared to $537,000 for the same time period one year ago. This amount represents 21.5% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 17.8% to 19.5% of the total year collections, placing this year slightly higher than the two year range.

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

- The timing of and increase in revenue received by Agricultural Commissioner's Department from the Glassy Wing Sharp Shooter (GWSS) program and receipt of Device Registration revenue at a faster rate than the previous year resulted in approximately $61,000 in increased revenue in comparison to the same period last year.

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 the Board of Supervisors priority area of 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 priority area of *A well-planned infrastructure system* is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, and regional approaches to transportation circulation are critical to *A well-planned infrastructure system.* Departments assigned to this priority area include: Environmental Resources, Parks and Recreation, Planning and Community Development, and Public Works. Environmental Resources and Planning and Community Development's Building Services Division are supported primarily through fees and Charges for Services. The General Fund primarily funds the Parks and Recreation Department and Planning and Community Development 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 December 31, 2008, expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A well-planned infrastructure system* are at $49.9 million compared to $42.9 million for the same time period one year ago. This amount represents 27.3% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 30.5% to 31% of the total yearly expenditures, placing this year slightly lower than the two year range.

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

- The Department of Environmental Resources incurred increased costs in the current fiscal year in contracts to meet the need for refuse rate consultant services, increased salary costs, and an additional transfer out for the Food Processing program resulting in $170,000 in additional spending over the same period last year;

- The Department of Environmental Resources Waste-to-Energy, as approved by the Board of Supervisors, completed the early pay-off of project debt (Series 2000 Certifications of Participations) in December 2008 resulting in $7.3 million in increased spending over this same period last year;

- The Department of Environmental Resources - Fink Road Landfill expenditures vary annually due to variances in requirements for cell development including design and construction, capital projects expenses, and changes in environmental monitoring required by the State Water Board. The variance between 2007-2008 and 2008-2009 is an increase of approximately $460,000;

- The Public Works Department – Engineering Division has incurred an increase of approximately $200,000 in salary costs due to the cost of living and equity increases as well as the Department's successful recruitment of skilled individuals resulting in fewer vacancies;

- Public Works Road and Bridge Division has received increased funding from Proposition 1B and Proposition 42 resulting in the Department's ability to perform increased maintenance and road resurfacing over the previous year. This variance accounts for an increase of approximately $1.7 million in costs for salaries, materials, and equipment rental;

- The Public Works Transit Division, prior to the start of the 2008-2009 Fiscal Year, negotiated a new contract for transit services within the Stanislaus Regional Transit (StaRT) program. The variance of $399,000 in higher expenditures in comparison to the same period last year is due to the new contract;

- The Planning and Community Development Department has incurred salary savings as a result of several vacant positions. These vacancies have translated into a $153,000 decrease in expenditures over the same period last year;

- Expenditures in the Planning and Community Development Department's Special Revenue Grant budget are $820,000 less than the same period last year as a result of a conscious effort to build fund balance in anticipation of specific projects which will occur in the coming fiscal year(s);

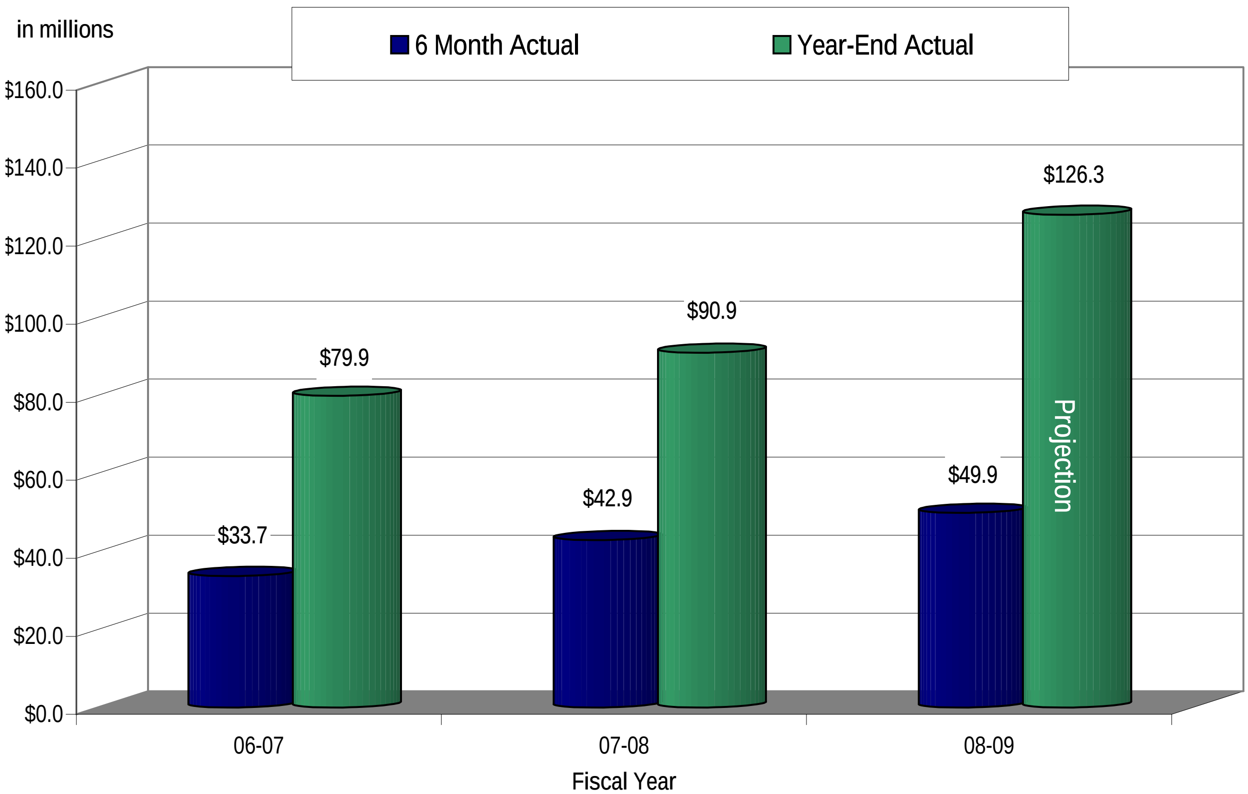
- The Planning and Community Development Redevelopment and Redevelopment Housing Set-Aside programs reduced expenditures in comparison to the same period last year by a combined amount of approximately $580,000. This reduction is due to the higher level of activity that occurred in Fiscal Year 2007-2008 for down payment assistance for first time home buyers, the sewer lateral connection program for Shackelford and Robertson Road communities, and the purchase of one single-family residential lot;

- The Planning and Community Development Department's Building Permits Division took steps to cut expenses in response to the decline in the economy. These steps translated in to a decrease of approximately $400,000 in expenditures over the same period last year; and

- On February 13, 2007 the Board of Supervisors approved a $1 million expenditure for the planning, trail work, irrigation, planting, and other construction within the Tuolumne River Regional Park (TRRP) Gateway, in addition to project administration. This effort was funded from Public Facility Fees for the 2007-2008 Fiscal Year only. This one-time expenditure resulted in a $1 million decrease over the two previous fiscal years.

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:*

A well-planned infrastructure system—Departmental Expenditures
Three Year Comparison



DEPARTMENTAL REVENUE

As of December 31, 2008, revenue for the departmental budgets that are part of the Board of Supervisors priority area of *A well-planned infrastructure system* are at $41.0 million compared to $32.0 million for the same time period one year ago. This amount represents 36.6% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 32.7% to 47.5% of the total year collections, placing this year's actual revenue received within the two year range.

While revenue is within the range, some of the significant variations in departmental revenue this year, compared to the same time period one year ago include:

- Department of Environmental Resources Geer Road Landfill required additional environmental monitoring. To meet this demand, the Department brought in $236,000 in revenue from the Closure/Post Closure fund;

- The Planning and Community Development Redevelopment Division has received an overall increase of $218,000 over the same period last year as a result of the receipt of full funding from the Keyes Community Services District in anticipation of the Keyes Infrastructure Project. This single deposit of $792,000 has off-set reductions in tax revenue due to the loss of property values;

- The Public Works Department's Engineering Division has received increased revenue in the amount of $225,000 over the same period last year as a result of increased Charges for Services;

- The Public Works Department's Morgan Shop Division, with the increase in equipment rental to the Road and Bridge Operation Division, has an increase of $300,000 in revenue over the same period last year;

- The Public Works Department's Road and Bridge Division has achieved an increase of approximately $10.7 million over the same period last year due to a $5 million transfer of Public Facility Fee – Regional Transportation Improvement Funds for the North County Transportation Corridor project and over $5 million in revenue from Proposition 1B and Proposition 42 funding. Funding from these propositions were not received in Fiscal Year 2007-2008;

- The Public Works Department's Transit Division received additional revenue over the same period last year in the amount of $450,000 in support of increased contract costs;

- The Planning and Community Development Special Revenue Grants budget is only able to draw down funds equal to amounts already spent in the previous quarter. This reimbursement in arrears process has resulted in $1.2 million less in revenue received over the same period last year;

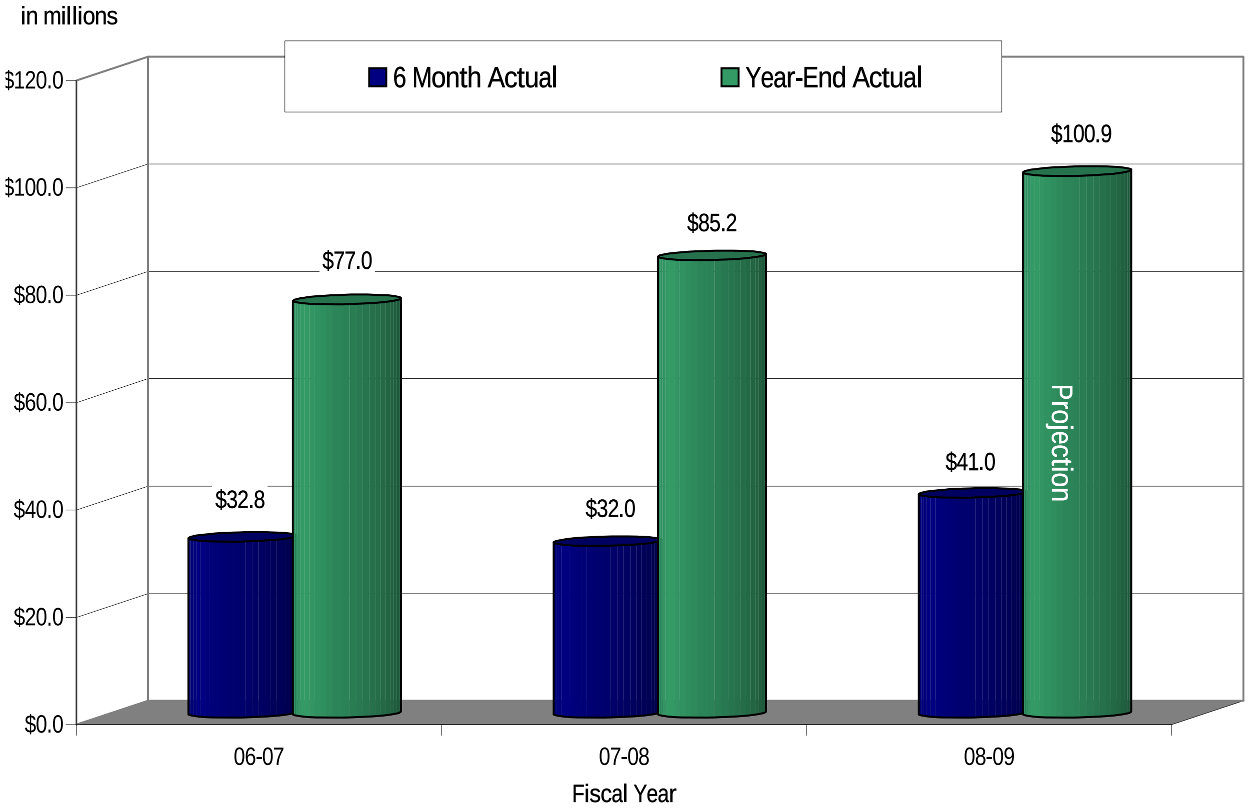
- The Planning and Community Development Building Permits Division has suffered a decrease of approximately $300,000 in revenue due to decreased activity resulting from the declining economy;

- Department of Environmental Resources Waste-to-Energy completed an early pay off of project debt which required the use of fund balance. This decrease in fund balance has since resulted in less interest revenue in the amount of approximately $200,000. In addition, the Waste-to-Energy facility was unexpectedly down for four weeks during October and November causing a decrease in revenue of approximately $300,000. It is anticipated that this revenue will be recouped by year-end; and

- On February 13, 2007 the Board of Supervisors approved a $1 million contribution from Public Facility Fees to pay for planning, trail work, irrigation, planting, and other construction within the TRRP Gateway, and project administration. This funding was for the 2007-2008 Fiscal Year only, resulting in a $1 million decrease over the two fiscal years.

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:*

A well-planned infrastructure system—Departmental Revenue
Three Year Comparison



MID-YEAR ISSUES AND RECOMMENDATIONS

LOCAL AREA FORMATION COMMISSION (LAFCO)

The Local Agency Formation Commission (LAFCO) is an independent commission established by the legislature in each County. The Commission, while not included in the County's budget, uses the County's classification system and as such it is required that all classification changes be approved by the Stanislaus County Board of Supervisors. In the 2007-2008 Third Quarter Report the Department requested a classification study of one Confidential Assistant III position. The Clerk of the Commission (Confidential Assistant III) provides administrative support to the Local Agency Formation Commission, the Executive Director (Manager IV) and Assistant Executive Director (Manager II).

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
LAFCO				Reclassify upward one Confidential Assistant III position	Confidential Assistant IV

Summary of Recommendations: It is recommended to reclassify upward one Confidential Assistant III position to Confidential Assistant IV, maintaining the Department's total allocated positions of three.

PARKS AND RECREATION

On February 28, 2006, the Stanislaus County Board of Supervisors designated and committed $1 million for public water system improvements at Frank Raines Regional Park and Woodward Reservoir Regional Park. As part of the Third Quarter Financial Report for Fiscal Year 2006-2007, the Department of Parks of Recreation was approved for the use of $30,814 from this designated fund to purchase a chlorination system at the Frank Raines Off-Highway Vehicle Park. Additional identified water system improvements are being implemented at this time to upgrade the park water systems as required by the California Department of Public Health (CDPH). This project requires extensive water testing and monitoring to ensure that the proposed solution will effectively clean the water to meet CDPH standards. The Department of Parks and Recreation has requested that $52,617 be made available as part of the mid-year from the designated funds to the extensive water testing.

The Chief Executive Office has requested a targeted reduction of $74,735 in this budget. The Department is projecting at mid-year to achieve a reduction of $74,753, meeting the targeted reduction.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Parks and Recreation	$52,617	$0	($52,617)	Increase appropriations for the Frank Raines Water Pilot Project funded from Parks Designation	
Total	$52,617	$0	($52,617)		

Summary of Recommendations: It is recommended that appropriations be increased in this budget by $52,617 to cover the cost of water system testing and monitoring to be funded with the parks water systems improvements and facilities maintenance designation.

PLANNING AND COMMUNITY DEVELOPMENT

Building Permits Division: The Planning and Community Development Building Permits Division anticipates a 12% decrease in revenue as a result of the decline in the building industry and specifically a reduction in construction permits and reimbursement for the administration of the Public Facilities Fees program. The Department is addressing this reduction in revenue with a decrease in expenditures, by identifying new revenue sources and increased use of fund balance. The Department has successfully identified other revenue sources including providing assistance to the Neighborhood Stabilization Program. The U.S. Department of Housing and Urban Development's (HUD) new program provides emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. The HUD program allocation for Stanislaus County is $9,744,482. This identified partnership with the Building Permits Division provides the program with a cost effective solution to meet the need for a unique skill set. As part of 2008-2009 Final Budget, the Board of Supervisors approved $209,236 in use of fund balance. The Department is anticipating utilizing an additional $169,322 for a total use of $378,558 in fund balance for the current fiscal year.

PUBLIC WORKS

During the mid-year review, the Department of Public Works indicated a significant concern with the impact of the State's proposed deferral plan to the main sources of funding for road operations, improvements and maintenance; Proposition 42, Proposition 1B and Highway User's Tax (HUT). Under this plan, the State Controller would delay gasoline sales tax revenues, or Proposition 42, for the fourth quarter of the current fiscal year until October 2009, rather than June as is customary. Although the plan allows for the use of Proposition 1B money to meet cash obligations, as long as it is replaced when the Controller transfers the revenue in October, these funds are no longer available due to the recent action by the State's Pooled Money Investment Account Board. In addition, counties have been cautioned not to rely on Proposition 1B money for operations, rather than projects as intended, due to its instability. Lastly, Highway User Tax Account revenues, or gas taxes, are traditionally distributed to counties and cities monthly, in the month after they are collected. The deferral proposal would delay payments of revenue collected during January through mid-April until September and mid-April to July until October.

The Department conducted a thorough analysis of the potential impact to cash flow based on the State's proposal to defer payments to counties for cash. If the deferral plan is enacted, the impact to the County Road Fund, assuming the maximum use of cash from other funding sources (Kaiser funds, Local Transportation Funding), would be significant and result in the fund being in a cash deficit position of nearly $1.6 million as early as June 2009. The cash deficit is anticipated to peak at $3.5 million two months later, in August, prior collection of the delayed revenue receipts. The Department of Public Works has begun discussions with the Chief Executive Office to develop a strategy for addressing this exposure in the upcoming months.

Administration: As part of the 2008-2009 Final Budget, the Department included $50,000 of Public Facilities Fees (PFF) for development of a Master Facility Plan for the Public Works Morgan Road location. A Request for Proposal (RFP) was issued in September and the eight proposals that were received were higher than anticipated. The top four firms were interviewed and Daniel C. Smith and Associates was selected with a proposal of $67,960. On January 15, 2009, the Department requested, and the PFF Committee approved, a request for an additional $25,000 in PFF funding for this purpose. The Department is requesting approval of the use of the additional PFF funding for development of the Master Facility Plan.

County Service Area 10 - Public Works: Public Works provides storm drain maintenance services to County Service Area 10 (CSA 10). Services include periodic cleaning of storm drains, maintenance of basins and pumps, and periodic sweeping of roadways to keep storm drains free of debris. The Department requests a $25,000 increase in expenditures in order to maintain acceptable levels of these services in the designated area. Funds are available in CSA 10-Public Works fund balance to cover the requested increase for this fiscal year. The ongoing cost of these services will be funded through annual assessments received from CSA 10 property owners.

Engineering-Monument Survey Preservation: The Public Works Engineering division requests an increase in appropriations of $90,000 for additional survey services including completion of record surveys. This request will be funded with department fund balance and an increase in revenue of $70,000. The monument survey preservation program is supported by recording fees collected to address loss and destruction of older survey monuments. Revenue in Fiscal Year 2007-2008 was deeply affected by decreased real estate activity and the 2008-2009 Final Budget was adjusted accordingly. This revenue, however, has recovered substantially with the turnover in bank owned properties. The additional revenue will allow for increased activity in the monument survey preservation area.

Hammett and Kiernan Project Study Report: The Hammett and Kiernan Project Study Report budget provides funding and guidance for two Project Study Reports for the design of future transportation improvements to the Hammett Road and Kiernan Avenue areas in Salida. These efforts were funded by developer fees received prior to the start of the studies. A fund was established to hold the monies separate and the fund accrues its own interest. At this time, the studies are almost complete; however, additional work is required. The Department requests a $50,000 increase in expenditures to be funded with the interest earned by the fund.

Morgan Shop: The Public Works Morgan Shop provides equipment and vehicles to other Public Works divisions, primarily Road and Bridge. Due to increased funding for projects, the Public Works Road and Bridge division has had a greater need for equipment rental from Morgan Shop. This has led to an increase in repair needs, especially with the heavy-duty equipment needed for current or planned chip seal projects. The Department has requested an increase in revenue in the amount of $370,000 as a result of increased equipment rental. The Department is also requesting an increase in expenditures in the amount of $120,000 funded with the increase in revenue to keep up with the number of repairs and rising cost of repair parts. This increase will allow Public Works Morgan Shop to continue to provide reliable equipment rental services to the Road and Bridge division for the remainder of the fiscal year.

In addition, Public Works Morgan Shop is requesting an increase in expenditures in the amount of $114,000 for depreciation and amortization costs funded by an increase in revenue and $136,000 in use of fund balance. This increase in expenditures will cover the additional cost of six months of depreciation for current Fixed Assets and of depreciation for new Fixed Assets purchased by the Public Works Morgan Shop in the second half of Fiscal Year 2008-2009. Depreciation, a non-cash expense, is factored into Morgan Shop's rental rates and is recovered retroactively through vehicle rental rates, thereby contributing to fund balance.

Also, the Department will receive a higher than anticipated reimbursement from the Congestion Mitigation and Air Quality (CMAQ) government program for Compressed Natural Gas (CNG) vehicles purchased by the Morgan Shop division. Morgan Shop's current budget recognizes an 11.47% local match for vehicles purchased through the CMAQ program. Diligence on the part of staff resulted in Morgan Shop receiving

100% funding. The Department requests an $184,805 increase in revenue that will be received in the second half of Fiscal Year 2008-2009 in CMAQ program funding. The Department is requesting an increase of $230,000 in Fixed Assets for the purchase of a Motor Grader and Roller needed by the Public Works Road and Bridge division to meet the additional road projects scheduled for the second half of Fiscal Year 2008-2009 and future fiscal years. This request will be funded by increased revenue and the additional use of fund balance. These pieces of equipment will replace older vehicles that do not meet diesel particulate matter compliance. On June 15, 2008, the California Air Resource Board adopted the Fleet Rule, Title 13, Article 4.8, Chapter 9, California Code of Regulations (CCR), to reduce diesel particulate matter (PM) and criteria pollutant emissions from in-use off-road diesel-fueled vehicles. Public Works has evaluated their fleet and has identified 26 vehicles that are affected by this rule. Target dates to meet compliance of this rule are predetermined by NOX (nitrates of oxide) and PM (particulate matters). There are annual reduction compliance targets through the year 2020. The replacement of the requested grader and roller will be the first step in ensuring that Public Works Morgan Shop meets the annual compliance targets.

In the 2008-2009 Proposed Budget the Department requested a classification study of one Maintenance Mechanic position assigned to Morgan Shop.

<u>Roads & Bridges:</u> In the 2008-2009 Final Budget the Department requested a classification study of one Confidential Assistant III and one Heavy Equipment Mechanic position.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CSA 10-Public Works	$25,000	$0	$25,000	CSA 10-PW-Storm drain maintenance services-Increase use of fund balance	
Public Works Engineering - Monument Survey Preservation	$90,000	$70,000	$20,000	Increase contracts for record of surveys Increase recording fee revenue and use of fund balance	
Public Works Hammett/ Kiernan PSR	$50,000	$0	$50,000	PW Hammett/ Kiernan PSR-change order-Increase use of fund balance	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Public Works Morgan Shop	$120,000	$120,000	$0	Increase materials for vehicle parts-Increase revenue from equipment rental	
Public Works Morgan Shop	$114,000	$250,000	($136,000)	Increase depreciation expense--Increase revenue from equipment rental, excess to increase fund balance	
Public Works Morgan Shop	$230,000	$184,805	$45,195	Purchase of motor grader/roller-partial use of fund balance-Increase revenue from CMAQ reimbursement	
Public Works Morgan Shop				Reclassify upward one Maintenance Mechanic position	Lead Equipment Mechanic
Public Works Roads & Bridges				Reclassify downward one Confidential Assistant III position	Administrative Clerk III
Public Works Roads & Bridges				Reclassify downward one Heavy Equipment Mechanic position	Block-budgeted Road Maintenance Worker III
Total	$629,000	$624,805	$4,195		

Summary of Recommendations: It is recommended that appropriations and estimated revenue be increased by $629,000 and $624,805, respectively resulting in the use of $4,195 in fund balance. The recommendation will make possible adjustments to the Morgan Shop, Engineering, Hammett and Kiernan

Project Study Report operational budgets. Additionally, it includes an adjustment for the use of CSA 10-Public Works fund balance for storm drain services.

It is recommended to reclassify upward one Maintenance Mechanic position to Lead Equipment Mechanic, reclassify downward one Confidential Assistant III position to Administrative Clerk III and reclassify downward one Heavy Equipment Mechanic position to a block-budgeted Road Maintenance Worker III, maintaining the Department's total allocated positions of 120.

SUMMARY

Overall, estimated revenue and expenditures for A well-planned infrastructure system are recommended to increase $681,617 and $624,805 respectively along with a increase in the use of fund balance of $4,195 and $52,617 in use of designations. The increased revenue is primarily from additional allocation in Congestion Mitigation and Air Quality (CMAC) reimbursement and increased equipment rental.

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. A large portion of 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 December 31, 2008, expenditures for the departmental budgets that are part of the Board of Supervisors priority area *of Efficient delivery of public services* are at $80.2 million compared to $84.3 million for the same time period one year ago. This amount represents 41% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 40% to 42% of the total yearly expenditures, placing this year within budget estimates.

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

- A $6.2 million decrease in the Chief Executive Office - County Match General Fund Support budget compared to this time last year is related to the $4.2 million in one-time funds that went through the County Match budget to the Health Services Agency budget for the 2007-2008 clinic system operating deficit in the 2007-2008 First Quarter Financial Report. The additional $1.7 million is due to the timing of payments to County Departments;

- A $3.8 million increase in the Chief Executive Office – Risk Management Self-Insurance budget due to an increase in healthcare costs in Purchased Insurance and the timing of the payment of the Professional Liability Insurance premium which normally is paid in the first quarter of the fiscal year but was not paid until later last fiscal year;

- A $1.2 million decrease in General Services Agency – Facility Maintenance budget due to a change in procedures to now directly bill departments for maintenance and janitorial supplies, rather than carrying the expense in the Facility Maintenance budget;

- A $706,460 decrease in the Chief Executive Office – County Match Vehicle License Fee budget as a result of the budgeted decrease in the revenue received that is apportioned out to fund County health programs;

- A $490,690 increase in the Chief Executive Office – Plant Acquisition budget related to the timing of the completion of deferred maintenance projects performed by General Services Agency Facility Maintenance and also due to professional and legal services provided for various projects;

- A $369,984 increase in the Clerk Recorder - Elections budget due to additional costs associated with the Presidential General Election;

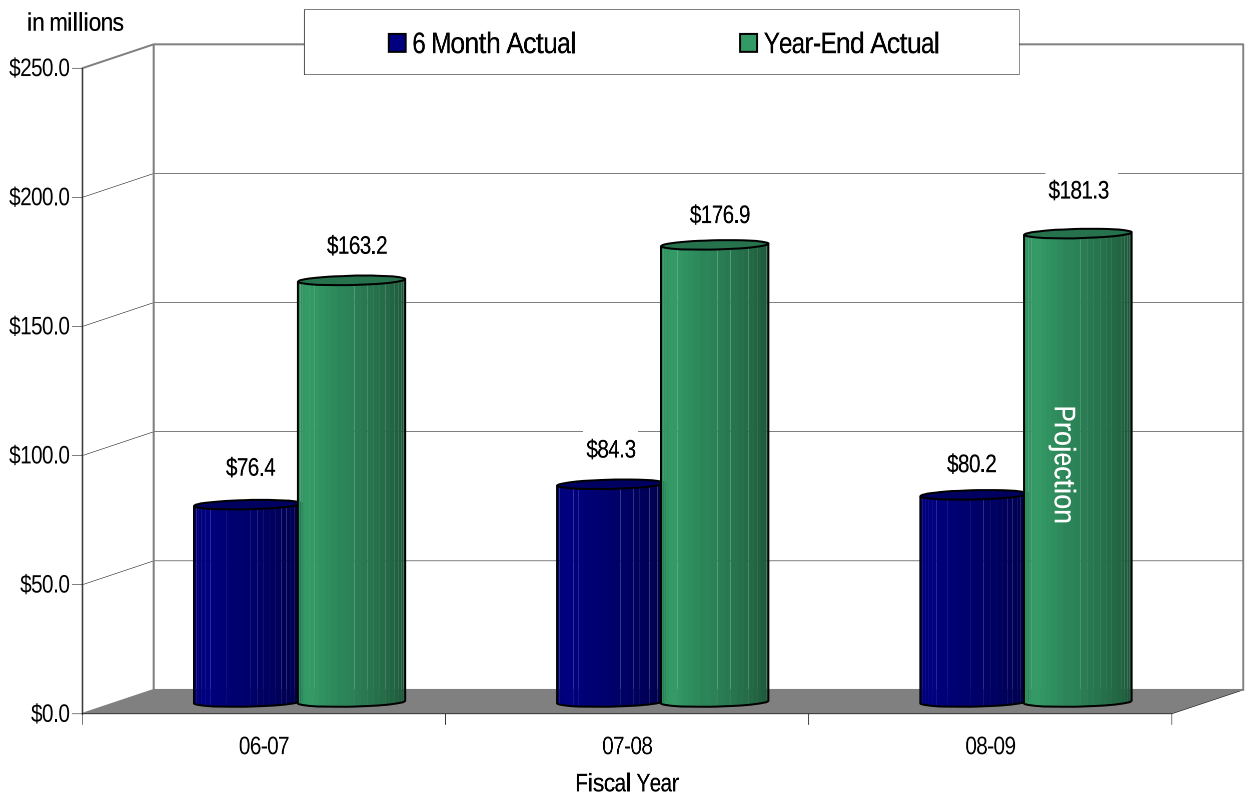
- A $242,238 decrease in Debt Service is tied to the timing related to the payments made last year for the County's financings;

- A $233,558 decrease in General Services Agency - Fleet Services due to the elimination of the Vehicle Replacement fund; and

- A $187,226 decrease in the General Services Agency - 12th Street budget due to the transfer of the two-way maintenance budget of the 12th Street Office Building into the General Services Agency Facilities Maintenance budget approved in the Third Quarter 2007-2008 Financial Report to the Board.

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:*

Efficient delivery of public services—Departmental Expenditures
Three Year Comparison



DEPARTMENTAL REVENUE

As of December 31, 2008, revenue for the departmental budgets that are a part of the Board of Supervisors priority area of *Efficient delivery of public services* are at $52.3 million compared to $50.1 million for the same time period one year ago. This amount represents 43% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year is at 44% to 47% of the total year collections, placing this year slightly below budget estimates.

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

- A $2.7 million increase in the Chief Executive Office – Risk Management Self-Insurance budget due to higher insurance costs in Purchased Insurance;

- A decrease in revenue of $706,460 in the Chief Executive Office – County Match Vehicle License Fee budget as a result of vehicle sales being down due to the downturn in the economy;

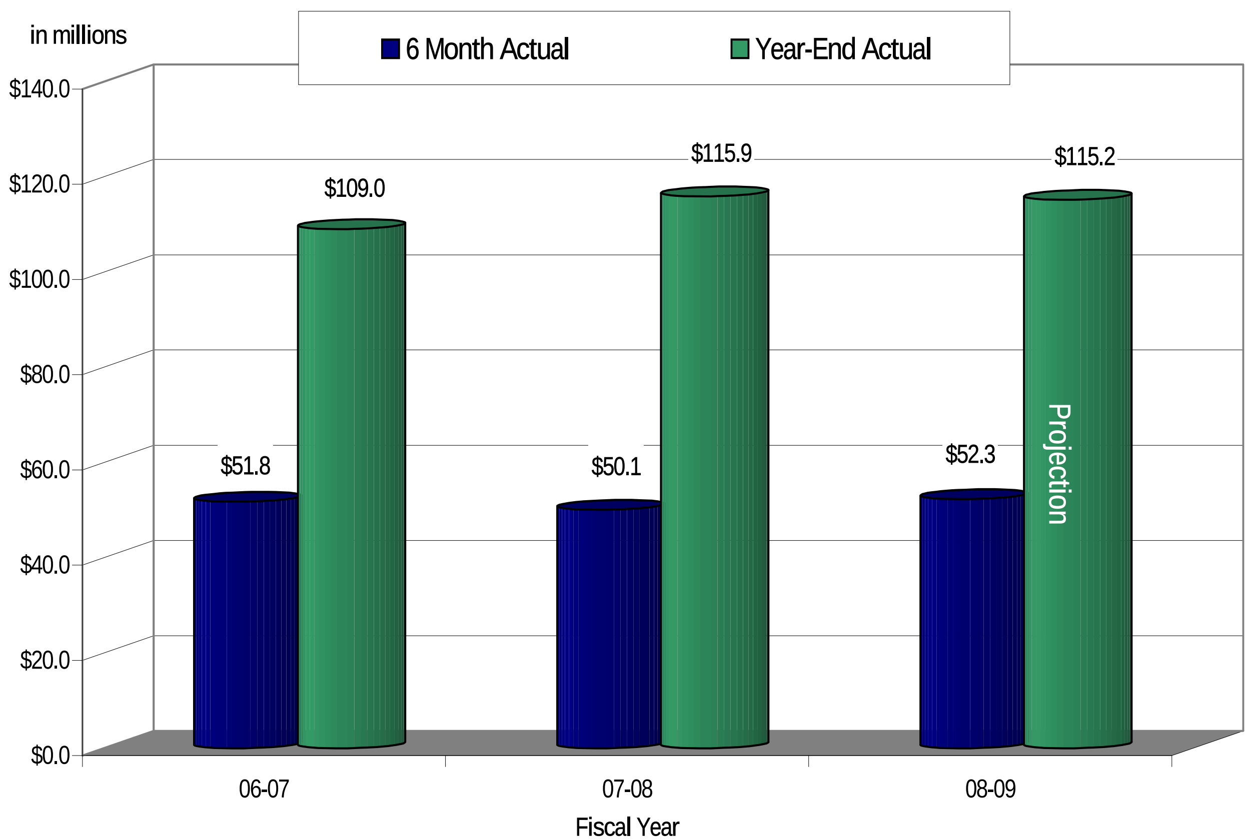
- A $398,215 decrease in General Services Agency - Fleet Services budget due to the elimination of the Vehicle Replacement fund, which in turn eliminated the depreciation revenue and the County Match;

- A $345,065 increase in revenue in the Clerk-Recorder Elections Budget due to the reimbursement from the State for the Uniform District Election, Presidential Primary, State Direct Primary and the Oak Valley Hospital District elections; and

- A $270,785 increase in the Chief Executive Office – Plant Acquisition budget due to interest earnings from the 2004 A Certificate of Participation borrowing for the Gallo Project for project closeout costs, litigation costs and related professional 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:*

Efficient delivery of public services—Departmental Revenue
Three Year Comparison



MID-YEAR ISSUES AND RECOMMENDATIONS

AUDITOR-CONTROLLER

Each fiscal year the Assessor delivers the Assessment Roll to the County Auditor-Controller by July 1st. If during the tax year, property tax roll corrections are necessary, such as the reduction of a parcel's valuation, a new homeowner's exemption or deductions due to Assessment Appeal hearings, the Assessor transmits change documents to the Auditor-Controller, who then processes the appropriate adjustment to the property tax roll. If the change results in a decrease in the amount of taxes due and the taxes have been paid and no other claim for a refund of taxes has been filed, a refund claim is mailed to the assessee.

Revenue and Taxation Code Section 5097 specifies that no refund generated under Article 5 of the Revenue and Taxation Code shall be made unless claimed by the assessee within four years after making of the payment sought to be refunded or within one year after mailing of notice as prescribed in Revenue and Taxation Code Section 2635, whichever is later. Unclaimed property tax refunds become eligible for transfer to the County General Fund under Revenue and Taxation Code Section 5102. No alternative procedure is authorized under this code for the disposition of these funds. The Department is requesting an increase of $82,758 in revenue in the Auditor-Controller's budget for these funds. These funds represent claims mailed between early November to late May 2004.

The Chief Executive Office has requested a targeted reduction of $49,190 in this budget. The Department is projecting at mid-year achieving a reduction of $172,805 or $123,615 over the targeted reduction due salary savings attributed to vacancies.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Auditor-Controller	$0	$82,758	($82,758)	Increase in revenue due to unclaimed property tax refunds	
Total	$0	$82,758	($82,758)		

Summary of Recommendations: It is recommended to increase the revenue in the Auditor-Controller's budget by $82,758 due to the unclaimed property tax refunds.

CHIEF EXECUTIVE OFFICE

Operations and Services: The Chief Executive Office is currently coordinating an update to the Stanislaus County Public Facilities Fees (PFF) program. To assist with the PFF program update, the County has contracted with Wildan Financial for professional services. Additional appropriations are necessary to complete further work in the current fiscal year, particularly the planning and facilitation of public outreach for the recommended revisions to the program. The Public Facilities Fees administration fund is recommended as the funding source for this additional work estimated at $10,000. A transfer from the PFF administration fund is necessary and appropriate to accomplish this transaction and to secure the additional needed professional services in order to complete the update to the program. The Department is requesting to transfer one unfunded Confidential Assistant III position to County Fire Service Fund as a result of a study that was requested in the 2007-2008 First Quarter Report.

The Chief Executive Office has requested a targeted reduction of $157,256 for the Chief Executive Office-Operation and Services budget. The Department is projecting to achieve a reduction amount of $340,265 primarily through salary savings.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Operations & Services	$10,000	$10,000	$0	Increased use of PFF Administration funds for update to current program	
Operations & Services				Transfer out one unfunded Confidential Assistant III position	Transfer to County Fire Service Fund
Total	$10,000	$10,000	$0		

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue by $10,000 through a transfer from the Public Facilities Fees administration fund to complete work associated with the PFF program update. It is also recommended to transfer out one unfunded Confidential Assistant III position to County Fire Service Fund, decreasing the Division's total allocated positions to 46.

Appropriations for Contingencies: Appropriations for Contingencies serves as a contingency fund for the County to provide sufficient funding for emergencies and unanticipated expenses and future exposures. Transfers from this fund require a four-fifths vote of the Board of Supervisors. The 2008-2009 Final Budget included $8,537,899 in appropriations for exposures such as increases in employee health insurance costs, labor related costs, increased costs of inpatient hospitalization services and physician services to uninsured patients for the Behavioral Health and Recovery Services, and other unanticipated exposures such as negotiated wage increases for the IHSS individual providers.

Through September 30, 2008, no requests for transfers were received. As part of the first quarter financial report, the following transfers were approved, totaling $274,453:

- $100,000 to the Sheriff Cal-METT budget through the CEO General Fund Match budget to offset first quarter expenses;

- $100,556 to the District Attorney Criminal budget to fund the cost of a Capital Murder trial and investigations; and

♦ $73,897 to the Probation Field Services budget to fund one Deputy Probation Officer II position associated with a new judge assigned to Juvenile Division.

As a result of these transfers, the 2008-2009 contingency balance is $8,263,446. At this time, it is recommended that a transfer to the Community Services Agency be made totaling $1,764,374 for approved negotiated wage agreements for IHSS workers, which is explained in greater detail below and in the department narrative:

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CEO - Appropriations for Contingencies	($1,764,374)	$0	$0	Transfer to Community Services Agency through County Match for IHSS program	
Total	($1,764,374)	$0	$0		

Summary of Recommendations: A transfer of $1,764,374 from Appropriations for Contingencies is recommended for the Community Services Agency, through General Fund Match, leaving a balance of $6,499,072 for the remainder of the fiscal year. Transfers from this fund require a four-fifths vote of the Board of Supervisors.

General Fund Match and Support: The In-Home Supportive Services (IHSS) program, operated by the Community Services Agency, is a State-mandated program that provides in-home services to over 5,000 frail and/or elderly individuals per month. The program is funded by Federal Medi-Cal and State General Fund allocations with a County share of cost obligation of approximately 18%. The IHSS program allows the customers to remain safely in their own home rather than alternative long-term care facilities. On July 24, 2007, the Board of Supervisors approved an agreement between the County and the United Domestic Workers of America (UDWA) representing the IHSS workers. The terms of the 48 month agreement extend through September 30, 2010 and include negotiated changes for IHSS provider wages. The Fiscal Year 2008-2009 estimated increase in County share of cost resulting from the negotiated wage increase is $1,764,374. Funding for this increase was included in the 2008-2009 Final Budget for Appropriations for Contingencies, and at this time it is recommended to transfer funds from the Appropriations for Contingencies budget through the General Fund Match budget to the Community Services Agency.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CEO - County Match	$1,764,374	$0	$0	Transfer to Community Services Agency from Appropriations for Contingencies	
Total	$1,764,374	$0	$0		

Summary of Recommendations: It is recommended to increase appropriations by $1,764,374 from Appropriations for Contingencies.

Crows Landing Air Facility: This budget was established as the planning resource to facilitate the economic development of the former military air facility. On February 27, 2007, the Board of Supervisors entered into an exclusive negotiation with Pacific Coast Capital Partners West Park (West Park) as exclusive master developer candidate. As part of the negotiation process, West Park agreed to fiscal responsibility for all third party consulting costs and analysis. On July 6, 2007, the County entered into an agreement with Meyers, Nave, Riback, Silver and Wilson for legal services associated with the development of the air facility. In order to properly account for this additional revenue and expense in the current fiscal year, an adjustment to the budget is requested as part of the mid-year process in the amount of $199,162. Additionally, on August 19, 2008, the Board of Supervisors authorized an amendment to the existing agricultural lease with Pride of San Juan, Inc. for approximately 1,112 acres of County owned property at the Crows landing Air Facility. Additional revenue of $138,947 is anticipated in the current fiscal year to be used for continuing pre-development efforts for the Crows Landing Air Facility that is in the California Environmental Quality Act (CEQA) analysis or environmental planning stage.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CEO - Crows Landing Air Facility	$199,162	$199,162	$0	Pacific Coast Capital Partners West Park reimbursement of legal costs for project planning and environmental review	

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CEO - Crows Landing Air Facility	$138,947	$138,947	$0	Increased revenue from new agricultural lease with Pride of San Juan	
Total	$338,109	$338,109	$0		

Summary of Recommendations: It is recommended to increase appropriations and revenue by $338,109 in the Chief Executive Office – Crows Landing Air Facility budget for continuing pre-development work and the environmental analysis phase of the project.

CLERK OF THE BOARD

The Clerk of the Board is responsible for the Assessment Appeals process. In the 2007-2008 Fiscal Year, 1,500 Assessment Appeal applications were received and in April 2008 the Board of Supervisors approved an ordinance that set a $30.00 processing fee per Assessment Appeal application. Due to the decline in the housing market, it was anticipated that an equal or greater amount of Assessment Appeal applications would be received in the 2008-2009 Fiscal Year. When creating the 2008-2009 budget the Clerk of the Board estimated $45,000 in revenue due to these appeals and also increased the Departments appropriations respectively. The Assessor's office reassessed over 30,000 residential properties, thus reducing the need for homeowners to submit an Assessment Appeals application. The Department is now projecting that 600 appeal applications will be received for the 2008-2009 Fiscal Year which equates to $18,000, which is lower than originally budgeted revenue. As a result, the Clerk of the Board is requesting a reduction of $27,000 in revenue and appropriations to their budget.

The Chief Executive Office has requested a targeted reduction of $46,036 for the combined budget units of Board of Supervisors and Clerk of the Board. The Department is projecting at mid-year achieving a reduction of $50,036 or $4,000 above the targeted reduction due salary savings attributed to vacancies.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Clerk of the Board	($27,000)	($27,000)		Decrease in appropriations and revenue due to the number of reduced Assessment Appeals applications received	
Total	($27,000)	($27,000)	$0		

Summary of Recommendations: It is recommended to decrease appropriations and revenue by $27,000 in the Clerk of the Board's 2008-2009 Fiscal Year budget due to the decrease in anticipated Assessment Appeal applications.

GENERAL SERIVICES AGENCY

The General Services Agency is comprised of five Divisions, Administration, Central Services, Facilities Maintenance, Fleet and Purchasing. Each Division insures that County Departments have the necessary tools to provide direct services to the community.

Facilities Maintenance Division: On December 9, 2009, the Board of Supervisors approved to transfer the responsibility for operation and ownership of the Modesto Main Courthouse and Hall of Records Facilities to the State of California and authorized a Reduction-In-Force (RIF) of the General Services Agency-Facilities Maintenance staff as part of the Court Facility transfer.

At this time, the Department is requesting a decrease in appropriations and revenue of $325,187 due to the transfer of the Modesto Main Courthouse and Hall of Record Facilities to the Administrative Office of the Courts (AOC). Of this amount, a reduction in payroll expense of $165,937 is due to the decrease in payroll and $159,250 is due to the decrease in utilities. As a result of the reductions in expenses, it is requested to reduce revenue by $325,187.

The Administrative Office of the Courts elected to contract building maintenance services for all court facilities. County staff approached the AOC to determine whether the AOC would contract for the service with the County in order to mitigate or delay the layoff of County staff, however, agreement was not reached. Due to the fact that the General Services Agency Facilities Maintenance staff will maintain less space due to transfer of the Courthouse and Hall of Records as well as the other court facilities that transferred previously, staffing reductions were necessary as part of the Courts transfer. In anticipation of the reduction the General Services Agency did not fill position vacancies in order to mitigate the impact on staff. The recommendations included the elimination of four positions that was effective January 17, 2009.

The Chief Executive Office has requested a targeted reduction of $124,188 in this budget. The Department is projecting at mid-year a reduction of $8,875 or $115,313 below the targeted reduction. The level of activity for Facilities Maintenance Division requests have remained consistently high for significant maintenance repairs which have been completed by the Division. As a result, the targeted reduction is lower than anticipated.

Budget Unit	Summary of Recommended Changes			Description	Staffing
	Appropriations	Revenue	Fund Balance		
GSA - FMD	($325,187)	($325,187)	$0	Reduction to appropriations and revenue due to transfer of the Courts to the AOC	
Total	($325,187)	($325,187)	$0		

Summary of Recommendations: It is recommended to decrease appropriations and estimated revenue by $325,187.

SUMMARY

Overall, for the Board of Supervisors priority area programs of *Efficient delivery of public services* expenditures are recommended to decrease by $4,078 and revenue to increase by $78,680, and results in a positive contribution to General Fund fund balance of $82,758. Included in the increase in appropriations is a reduction of $1,764,374 from Appropriations for Contingencies that is being transferred to the Chief Executive Office – County Match budget to fund the Community Services Agency – Services and Support for negotiated increases in the In-Home Supportive Services program.

DEPENDENT LIGHTING DISTRICTS

As part of the final 2008-2009 Final Budget, spending plans were estimated and appropriations were approved for the Dependent Lighting Districts governed by the Board of Supervisors to allow them to operate. Year-end analysis reveals that, due to unexpected repairs and additional services provided, some of these districts need an increase in appropriations to pay the final expenditures of the 2008-2009 Fiscal Year.

Dependent Lighting Districts are included in Special Districts and receive revenue from property taxes and/or special assessments. The funds can only be used for the purpose for which they were collected and only those residents who benefit from services provided by a special district pay for them. Listed below are the districts governed by the Board of Supervisors requiring an adjustment in the current 2008-2009 Fiscal Year.

County of Stanislaus
Dependent Lighting Districts

Fund	District Name	Original Budget 2008- 2009	Additional budget necessary to complete FY 2008-2009	Total Adjusted Budget FY 2008- 2009
1851	Almond Wood Estates	$7,898	$904	$8,802
1855	Deo Gloria Estates	2,836	647	3,483
1861	Golden State	789	482	1,271
1866	North Oaks	2,884	1,004	3,888
	Total	**$14,407**	**$3,037**	**$17,444**

Summary of Recommendations: It is recommended to increase the Dependent Lighting Districts requested budget adjustment of $17,444 funded through existing fund balance to more accurately reflect the revised estimated costs of services provided to these districts.

Looking Ahead

2009-2010 and 2010-2011 Challenges
Local Economic Trends
Budget Strategy for Fiscal Years 2009-2010 and 2010-2011
Budget Schedule

Looking Ahead

2009–2010 AND 2010– 2011 CHALLENGES

State Budget Impacts

The State fiscal crisis continues to press heavily on local government. The projected $41 billion state deficit over the next 18 months will severely impact the State and local government if a sound budget deal is not quickly reached.

Compounding the budget deficit is a major cash flow problem for the State as they cannot borrow money to pay bills without a solid budget plan. The State Controller has begun to fight the cash flow issue by delaying payments for key State services by at least a month. Likewise, funding from the Pooled Money Investment Board has been locked down so projects such as the Empire Pool Project and Tuolumne River Regional Park are now cash starved. Even though construction has been completed and billed in significant portions of these projects, the State will not release funds to the County to pay what is owed to its contractors.

Negotiations over the budget are being closely held to Big Five leadership and few leaks are coming out, but rumors are widespread. There are serious discussions of up to a seven-month deferral of payments to counties. A seven-month deferral to Stanislaus County would equal at least a $53 million loss of payments, causing the County to pare down or close down programs. There are also a minimum of $7 million in proposed budget cuts that could impact County programs.

Health Insurance

Employee health insurance costs in Stanislaus County continue to increase well above the average inflation for other goods and services, similar to health care trends in other public and private sector organizations. The County has worked with labor groups to reach a short-term agreement to expand HMO plan choices and to modify current benefit plans to reduce the impact of these increases in calendar year 2009. The County is researching the potential cost savings of implementing a self-funded financing strategy for employee health insurance starting in January 2010. While the County continues to identify strategies to assist in controlling health care expenses, the County also faces the potential for ongoing health care inflation during a period of declining revenue.

Labor Contracts

Stanislaus County has developed long-term labor agreements for most County bargaining units over the last several years. Multi-year agreements with several County public safety units will expire during Fiscal Year 2009-2010, including Sworn and Custodial Deputy Sheriffs, Sheriff Supervisors and District Attorney Investigators. Public Safety units are primarily funded through the County's General Fund and growth in property taxes and Prop 172 Public Safety sales tax. Maintaining appropriate compensation for critical public safety services will remain a challenge as the County experiences limited or negative growth in the revenue sources supporting public safety programs.

Retirement Rates

During Fiscal Year 2007-2008 and the first quarter of Fiscal Year 2008-2009 the investment performance of the StanCERA retirement portfolio suffered as the overall result of the worsening economic outlook. An actuarial study is currently underway and new rates for Fiscal Year 2009-2010 should be available during the third quarter of this fiscal year. This actuarial study will: review the experience of the Association over the past year and identify reasons for changes in cost; recommend economic assumptions to be used in computing Association liabilities and costs; and calculate the annual contribution required to fund the Association in accordance with actuarial principles. It is believed that the actuarial study will recommend significant increase in the employer and employee contribution rates starting in Fiscal Year 2009-2010. The amount of increase is unknown, but the County is currently projecting a considerable increase in retirement costs for Fiscal Year 2009-2010. This increase will result in additional cost in all County Departments during a time when revenue is falling as a result of decreased discretionary and State revenue.

LOCAL ECONOMIC TRENDS

Unemployment Rate

According to the California Employment Development Department (EDD), the unemployment rate in Stanislaus County was 13.6% in December 2008 (an increase from the 9.9% in December 2007). This compares with an unadjusted unemployment rate of 9.1% statewide and 7.1% nationally for the same month.

Jobs

Labor market statistics from the EDD also showed that total employment in Stanislaus County decreased by 3,800 jobs, from 172,400 jobs in December of 2007 to 168,600 jobs reported in December 2008. Non-farm employment decreased by 3,700 jobs and farm employment decreased by 100 jobs for the same time period. Leisure and Hospitality, Natural Resources, Mining and Construction, Financial Activities, Information, and Professional and Business Services, Government, Trade, Transportation and Utilities, and Manufacturing all showed decreases in non-farm employment; while Education and Health Services remained flat compared to the prior year.

Affordability Index

With home prices declining across the country, housing became more affordable for individuals and families according to the California Association of Realtors (C.A.R).The percentage of households that could afford to buy an entry-level home in California increased to 53% in the third quarter of 2008, compared with 24% for the same period a year ago, according to the most recent data released by C.A.R. C.A.R.'s First Time Buyer Housing Affordability Index (FTB-HAI) measures the percentage of households that can afford to purchase an entry-level home in California. C.A.R. also reports first-time buyer indexes for regions and select counties within the State. The Index is the most fundamental measure of housing well-being for first-time buyers in the State.

The San Francisco Bay Area region was the least affordable in the State at 26%, compared with 15% for the same period the prior year. The Merced Region reached a record-high affordability level in the third quarter of 2008 at 75% compared with 48% for the same period the prior year. At the time of this report, the index for Stanislaus County was only available for the second quarter of 2007 and stood at 41% compared to 36% in the second quarter of 2006.

Median Home Price

The C.A.R. also reported that as of December 2008, the median home price in Stanislaus County was $157,250 which equates to a 44.1% decrease from the $281,500 price reported in December 2007. A similar trend was evident over this same time period for the incorporated cities of Ceres, Modesto, Oakdale, Patterson, Riverbank and Turlock ranging from a 29.8% to a 49.6% decrease. The median price of an existing, single-family detached home in California during December 2008 was $281,100, a 41.5 percent decrease from the revised $480,820 median for December 2007. The median price of an existing, single family detached home in the San Francisco Bay Area Region during December 2008 was $465,640, a 35.8 percent decrease from the revised $725,120.

Building Permits

According to the California Building Industry Association (CBIA), the pace of home sales at California new-home communities remained slow in November following the October credit freeze. Robert Rivinius, CBIA's President and CEO, said the continued depression in the state's homebuilding industry will only improve if state and federal lawmakers quickly deal with the foreclosure situation and pass economic stimulus measures that have been proposed to jump-start the crucial economic sector.

The total number of building permits issued in Stanislaus County as of November 2008 was down nearly 31.3% when compared to the prior year. CBIA reported 22 in 2008 compared to 32 in 2007. San Joaquin County showed a much steeper decline of 62.8% while Merced County had a decrease of 91.4% for the same period. The State of California statistics showed a trend downward of 55.3% over that same time period.

Gasoline

According to the California Energy Commission (CEC), gasoline prices are still on the rise after falling for six months from the all time record high of $4.588 set during the week of June 16, 2008. The average statewide price for regular unleaded fuel was $2.064 per gallon as of January 20, 2009. For the same period January 21, 2008, the average statewide price for regular unleaded gasoline was $3.226 per gallon, while the price was $2.538 per gallon for the same period in January 2007. In comparison, the national average for regular unleaded fuel was $1.847, or 21.7 cents lower than the average price of regular unleaded fuel in California as of January 20, 2009.

BUDGET STRATEGY FOR FISCAL YEARS 2009-2010 AND 2010-2011

Stanislaus County faces significant budget challenges through the remainder of the current fiscal year and continuing through 2009-2010 and even 2010-2011. Primary contributors to these challenges are the State fiscal crisis and worsening economy, as represented by reduced discretionary revenue collections and pending State budget reductions including impending reimbursement deferrals. The impacts are compounded by the high home foreclosure rate facing the State of California and Stanislaus County. While the mid-year budget is balanced, discretionary revenue is not materializing as initially budgeted and recommendations for reductions are included in this report.

During the first half of Fiscal Year 2007-2008, the County saw an unprecedented and a significant decrease in local discretionary revenue as a result of a decline from sales and use tax, Prop 172 sales tax, transfer tax and fines, forfeitures and penalties. With the pending budget challenges, it was critical that the County end Fiscal Year 2007-2008 in a positive position for all funds, in an effort to mitigate the impact on subsequent fiscal years. At that time, a 16 month budget reduction strategy was enacted. Potential strategies that were developed in March of 2008 included a 2% targeted reduction to each department's General Fund cost. The goal was to create at least a $5.9 million fund balance in the General Fund at the end of Fiscal Year 2007-2008, to help in balancing the 2008-2009 budget.

As a result of these strategies, the County was able to carry over $5.4 million in fund balance for Fiscal Year 2008-2009. As part of the proposed budget strategies for 2008-2009, all departments received a 3% reduction to their General Fund cost. While not all identified County departments were able to accept this reduction, the savings achieved from this reduction, along with funds from other sources such as Designated Carryover Appropriations and the Tax Loss Reserve Fund Balance, resulted in the balancing of the Fiscal Year 2008-2009 Budget.

With the State, as of this writing, still not taking the actions necessary to address its looming and worsening budget crisis, it is anticipated that even more dramatic reductions will be forthcoming for Fiscal Year 2009-2010. A potential budget shortfall of $20 million has been identified in the General Fund, primarily as the result of decreased discretionary revenue. This does not take into account the full impact of potential increased retirement rates. In order to prepare for the shortfall, all departments that receive funding from the General Fund were asked to take a 3% reduction to their General Fund net county cost during Mid-Year 2008-2009 with the goal of identifying $5 million dollars in savings, or 25% of the $20 million dollar deficit expected next Fiscal Year 2009-2010. Not included in the targeted reduction were Appropriations for Contingencies, Debt Service, Jail Medical and other budgets with fixed costs that cannot be reduced as a result of previously negotiated contracts or commitments.

Overall, County departments with a net county cost have projected an additional $3,719,761 in savings generated by holding vacant positions, suspending all but mandated travel and training, and process improvements.

The mid-year 3% targeted reduction savings are summarized by Board priority area below:

Priority	3% Targeted Reduction	Department Projection
A safe community	$3,361,229	$1,344,221
A healthy community	$608,041	$374,408
A strong local economy	$25,569	$25,569
A strong agricultural economy/heritage	$55,464	$69,690
A well planned infrastructure system	$139,687	$211,169
Efficient delivery of public services	$810,010	$1,694,704
Total	**$5,000,000**	**$3,719,761**

We recognize that these actions alone will not be sufficient to provide the fund balance necessary given the projected revenue shortfall for next year. Other actions in preparation for Fiscal Year 2009-2010 are under consideration. In January 2009, all Internal Service Fund departments, and all departments that provide goods and services to other County departments on a cost-reimbursement basis were issued their proposed budget instructions for Fiscal Year 2009-2010. These budget instructions included a 10% reduction in appropriations for all charges within the department's control. Charges such as utilities and fuel over which departments have no control were excluded from the targeted reduction. This reduction will provide a decrease in charges to both General Fund and non-General Fund user departments. It is recognized that these decreases in cost will come with a reduced level of service. However, user departments will have the ability to prioritize service reductions.

The Chief Executive Office continues to look at other options for balancing the Fiscal Year 2009-2010 budget, some of which include: maintaining the no-backfill policy for State and Federal programs to avoid further fiscal shortfalls to the County's General Fund; requiring all departments to develop program specific reduction plans; using retained earnings in various Risk Management Self-Insurance funds on a one-time basis; labor cost containment strategies and a reduction in the Appropriations for Contingencies budget. Additionally, a targeted reduction for all County programs is expected as part of the Fiscal Year 2009-2010 budget strategy.

A decisive and firm approach to mid-course budget corrections is essential to reflect the need to bring expenditure levels in line with anticipated revenues and to prepare fiscally for the budget challenges ahead.

BUDGET SCHEDULE

The following schedule is recommended for the final 2008-2009 quarterly financial reporting and for the 2009-2010 Proposed Budget:

- March 13, 2009 — Issue 2009-2010 Proposed Budget Instructions to Departments
- April 13, 2009 — Department's Proposed Budget Submittals due to Chief Executive Office
- May 5, 2009 — Third Quarter Financial Report to the Board of Supervisors
- May 29, 2009 — 2009-2010 Proposed Budget available to Public
- June 9, 10, 11, 2009 — Proposed Budget Presentation and Public Hearing to the Board of Supervisors
- September 15, 16, 17, 2009 — 2009-2010 Final Budget Presentation and Public Hearing to the Board of Supervisors