

First Quarter Financial Report

July — September 2009

BOARD OF SUPERVISORS

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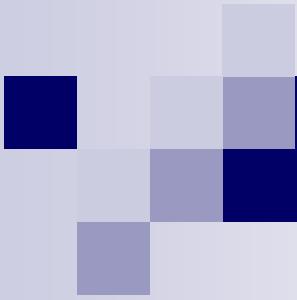


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Introduction

This is the Chief Executive Office's First Quarter Financial Report for the period of July 2009-September 2009 for the 2009-2010 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 2009.

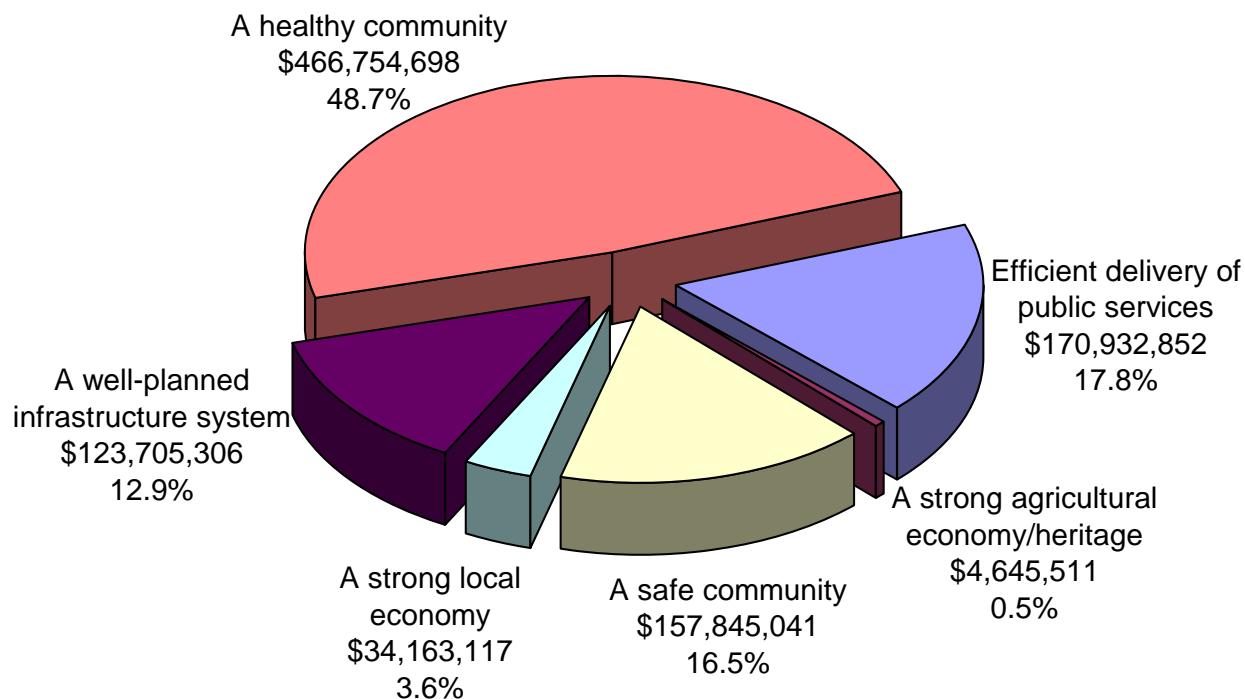
Summary

On September 15, 2009 the Board of Supervisors adopted the Fiscal Year 2009-2010 Final Budget for Stanislaus County. This spending plan of \$958,046,525 for all funds reflected an increase of \$2,932,370 or a .3% increase over the 2009-2010 Proposed Budget and a nearly 1% decrease over the 2008-2009 Final Budget. The Final Budget was balanced and used a combination of \$920,102,903 in revenue and \$37,943,622 in fund balance and one-time funding sources. The Final Budget also reflected designations in the General Fund totaling \$58,944,878.

The County's 2009-2010 General Fund budget totaled \$249,898,038, a decrease of .4% or \$994,576 from the Proposed Budget adopted in June 2009 and a 7% decrease from the 2008-2009 Final Budget. The Final Budget for Fiscal Year 2009-2010 includes \$4 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 2009-2010
Final Budget Expenditures
By Board Priority
\$958,046,525



BUDGET OVERVIEW

Summary of Adopted Final Budget

The Final Budget approved on September 15, 2009 totaled \$958 million. The budget was balanced using \$37.9 million of one-time funding, \$15.3 million of which was for the General Fund. In the Final Budget discretionary revenue was reduced an additional \$1,861,810 from \$156,018,550 to \$154,156,740 due to the loss of Williamson Act Subvention from the State of California and lower than projected interest earnings posted to the Tobacco Endowment fund.

The major changes from the Proposed Budget to the Final Budget occurred to the programs that are part of the Board of Supervisors Priority area of: *A safe community, A healthy community, A strong local economy, A well-planned infrastructure system, and Efficient delivery of public services*:

A safe community: The Sheriff's Department had an overall reduction in appropriations of \$1 million to reflect revenue loss and a decrease in projected retirement costs.

A healthy community: The Community Services Agency received an increase in appropriations and estimated revenue of \$2.80 million in CalWORKs due to an increase in TANF Emergency contingency funds and an increase in State and Federal funds to fund all payrolls in the fiscal year.

A strong local economy: The Alliance Worknet received an increase in funding of \$3.3 million from the American Recovery and Reinvestment Act, Workforce Investment Act, StanWORKs and three new grants.

A well-planned infrastructure system: The Public Works Department received an increase in revenue of \$5.36 million to reflect the Department receiving all remaining Proposition 1B funds in this fiscal year.

Efficient delivery of public services: The Chief Executive Office – Risk Management Self Insurance funds had a reduction in appropriations and estimated revenue of \$235,251 in the Workers' Compensation budget to reflect the correct allocation of charges to the Health Services Agency.

The Final Budget included the deletion of seven positions and the unfunding of 11 positions. This brought the total number of authorized full-time positions to 3,990. The allocated staff level has reduced from last years Final Budget 2008-2009 of 4,459 to 3,990 as of first quarter.

2009–2010 FIRST QUARTER OVERVIEW

Overall Summary of Requested First Quarter Adjustments

The 2009-2010 First Quarter Financial Report reflects recommended adjustments and a fiscal review of department budgets. Departments requested \$8,242,530 in total adjustments in the current year spending plan. There were no requests for additional General Fund funding. The Chief Executive Office recommends approval of all requested first quarter adjustments as they are funded by non-general fund sources. The recommendations further increase estimated revenue by \$8,059,192 resulting in an increase in the use of fund balance of \$183,338.

The recommended changes are primarily within the Community Services Agency and the Health Services Agency – Public Health. The Community Services Agency had an overall increase in appropriations and estimated revenue of \$8,713,167 primarily as the result of the Agency receiving final allocations of State and Federal funds for caseload growth for StanWORKs which includes increases for CalWORKs, Medi-Cal and Child Care. The Health Services Agency - Public Health is requesting a decrease in appropriations of \$1,402,316 and a decrease in estimated revenue of \$1,423,008, resulting in an increase in the use of fund balance of \$20,692. These reductions are primarily as a result of the elimination or decrease in State Funds for Public Health Programs (Adolescent Family Life Program, Maternal Child and Adolescent Health Program and HIV/AIDS program), and a reduction in federal funding for Medi-Cal Administration Activities.

LOOKING AHEAD

As discussed in the 2009-2010 Final Adopted Budget, the County faces a number of challenges in the coming fiscal years.

2010-2011 Budget Strategy

During the past two years, the County has responded to a deteriorating economy and declining revenue through reductions-in-force, employee furloughs, maintaining vacancies and expense control through limiting overtime, travel and contract reductions, as well as a three year use of designations and reserves to phase into a reduced level of revenue and expenses. The Fiscal Year 2009-2010 Final Budget for the General Fund is \$249,898,038 which is \$19,270,051 or 7% below the 2008-2009 Final General Fund Budget and \$29,003,751 or 10% below the 2007-2008 Final General Fund Budget.

Despite these efforts the County is projecting a General Fund budget shortfall of over \$20 million in Fiscal Year 2010-2011. Even with an eventual economic recovery, the recession has created a severe imbalance in revenues and expenditures. The County continues to explore solutions to allow for the alignment of revenue and expenditures including reducing labor costs, improving efficiency, finding new sources of revenues, and evaluating all services provided by the County to ensure they are part of the core mission of the County.

As part of this process the Chief Executive Office held a budget workshop for all County Department Heads on October 6, 2009, to discuss options and ideas for closing the structural deficit. This meeting provided an opportunity for Department Heads to assist in identifying potential solutions and strategies to eliminate the current structural shortfall. The goal is to take a long-term strategic approach to balancing the budget while striving to maintain top-quality service. Service cutbacks, however, are likely inevitable given the magnitude of the budget gap.

Retirement Rates Cost Exposures

The Stanislaus County Employee Retirement Association (StanCERA) took action to mitigate proposed retirement rate increases for 2009-2010. This action saved budget resources throughout the County. While these actions were instrumental in lowering retirement costs in Fiscal Year 2009-2010, an even larger exposure remains with projected retirement rate increases in Fiscal Year 2010-2011 and a reduced workforce, during which significant investment losses will be factored into the retirement system. The impact of these losses may result in unprecedented rate increases in order to properly fund the retirement system.

The County will be hiring a third party to evaluate and value modifications to plan benefits for new members in order to identify strategies that will reduce the County's future retirement liability.

Labor Relations

While the County currently has long term agreements in place with a majority of the County's bargaining units, four contracts expire during the 2009-2010 Fiscal Year. Negotiations are in process with the Stanislaus Sworn Sheriff Deputy Association and the Sheriff Supervisor Association. Negotiations with the

Deputy Sheriff Association and District Attorney Investigators will be scheduled prior to their contract expiration dates.

The table below shows the contract expiration dates for all bargaining units:

Bargaining Unit	Allocated Positions	Percent of Workforce	Contract Expiration Date
Stanislaus Sworn Deputy Association	183	4.6%	6/30/2009
Sheriff Supervisor Association	29	.7%	6/30/2009
Deputy Sheriff Association	217	5.4%	12/31/2009
District Attorney Investigators	16	.4%	3/31/2010
Service Employees' International Union, (SEIU) Local 521	636	15.9%	6/30/2010
County Attorney's Association	77	1.9%	6/30/2010
Emergency Dispatchers Association	44	1.1%	6/30/2010
Resident Physicians	28	.7%	6/30/2010
Deputy Probation Officers	106	2.7%	7/31/2010
Group Supervisor Association	82	2.1%	12/31/2010
Sheriff Management Association	18	.5%	2/28/2011
Registered Nurses	103	2.6%	2/28/2011
Stanislaus County Employees Association, (AFSCME) Local 10	2,036	51.0%	5/31/2011
Unrepresented	415	10.4%	N/A
Total¹	3,990	100%	

¹ Not included in this total are the In Home Supportive Services Individual Providers (IHSS-IP) workers represented by the United Domestic Workers of America (UDWA) whose contract expires 9/30/2010

Health Insurance

Health insurance benefits are negotiated collectively under one agreement for all represented bargaining units. The current one-year agreement for employee health benefits expires on December 31, 2009. Because of the cost exposure associated with employee health insurance benefits, the County contracted with an Employee Benefits Consultant/Broker to assist the County in evaluating its current benefit plan and to provide the County with assistance to obtain plan proposals to address the County's benefit goals and to provide assistance in developing and implementing contracts for health benefits. The County has negotiated a new one-year agreement for health insurance benefits to be effective January 2010. This agreement was approved by the Board of Supervisors on October 27, 2009. The new agreement includes two HMO options (Kaiser and Blue Cross). Both Kaiser and Blue Cross will also have Health Savings Account (HSA) options in addition to the HMO option. The cost of medical plan options will increase approximately 4.5% or \$2.1 million in 2010. To partially offset this increase, the County estimates a savings of approximately \$1.9 million on dental and vision costs in 2010 based on eliminating the current flexible benefit plan for dental and vision insurance and replacing it with specific levels of dental and vision coverage. Depending on the number of employees enrolling in HSA's the new agreement could be cost neutral to the County.

State Budget Update

A primary focus during the past quarter in Sacramento has largely been on lobbying for approval of the more than 700 bills that were sent to the governor. Also, water has become the primary discussion in Sacramento as Big Five members have been meeting at a constant pace to try and patch together a water

bill. Revenue for the State continues to trend at a lower than projected pace; however, it is currently expected the State will not have to re-open the budget until after the first of January.

GENERAL FUND UPDATE

Discretionary Revenue

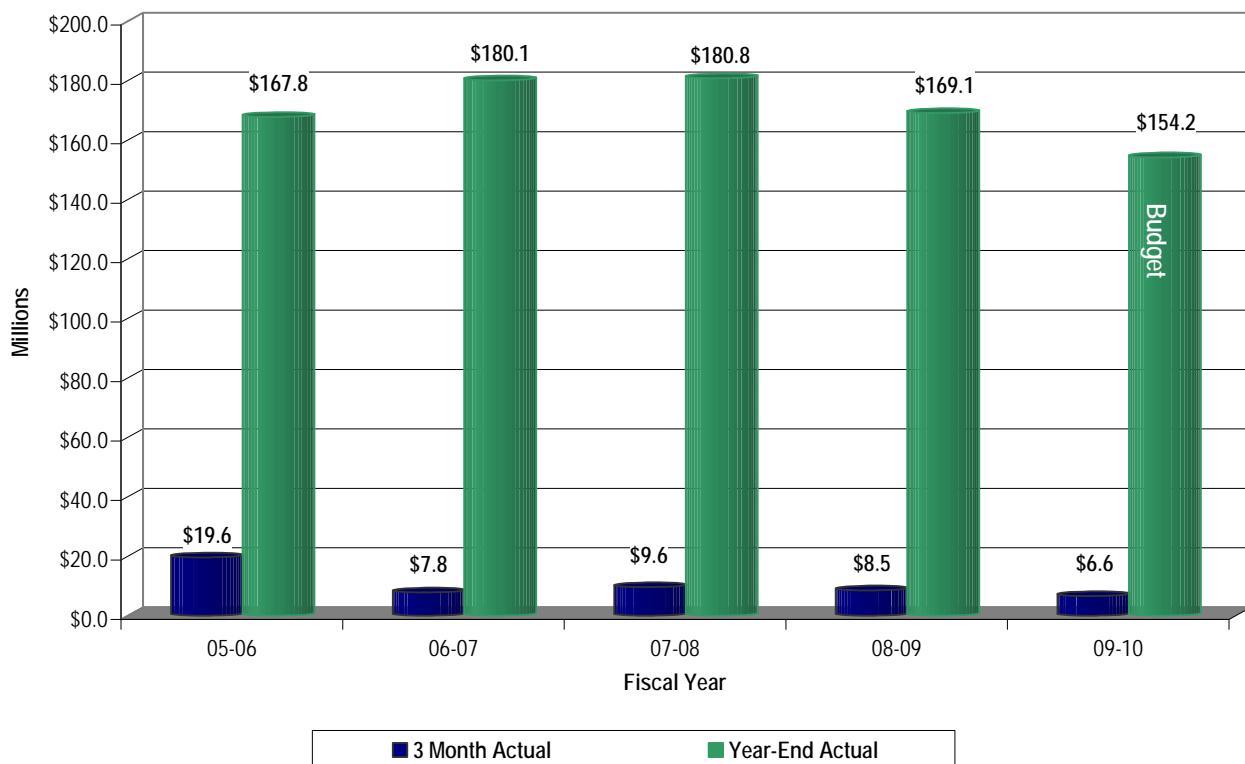
As of first quarter, actual discretionary revenue was \$6.6 million compared to \$8.5 million for the same time period one year ago. This amount represents 4.3% of the 2009-2010 Final Budget. Typically, discretionary revenue at this point of the fiscal year ranges from 4.3% to 5.3% of the total amount budgeted when looking at the prior three years, excluding Fiscal Year 2005-2006. A one-time payment was received in September 2005 from the State for the Vehicle License Fees Gap Loan repayment. Since we are within the three year range we are not recommending any first quarter changes to the current discretionary revenue budget. However, because of the uncertain economic conditions a close watch will be kept on this revenue source and changes will be made as necessary with the Mid-Year Report in February, 2010. The factors used in the apportionment of secured property taxes should be determined by December and adjustments to the estimated property tax revenue will be made.

At the beginning of the current fiscal year legislation was enacted providing for the State to borrow up to 8% of the local property tax under Proposition 1A (2004). The first installment of this 1A loan to the State from the County's property tax revenue will be completed by the end of the 2009 calendar year. The total transfer amount for the fiscal year is estimated at \$7.9 million and will be offset by the designation of the same amount the Board of Supervisors established as part of the 2009-2010 Final Budget. Revenue from sales and use tax sources is continuing to decline due to the caution exhibited by the average consumer. By the end of the calendar year the results of the cash for clunkers program will be recorded and a modest boost to the lagging sales tax revenue is anticipated.

Notification of the new pool rate used in the distribution of the Proposition 172 Public Safety sales tax revenue is normally made in mid-November or later and this will undoubtedly affect this uncertain revenue source. Each year only a small portion of the discretionary revenue is posted before the end of the first quarter, causing a normal "wait and see" reaction to adjusting the discretionary revenue at this time. We will continue to monitor the sources of revenue that are considered discretionary and will request adjustments as necessary at the time of the Mid-Year Report.

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

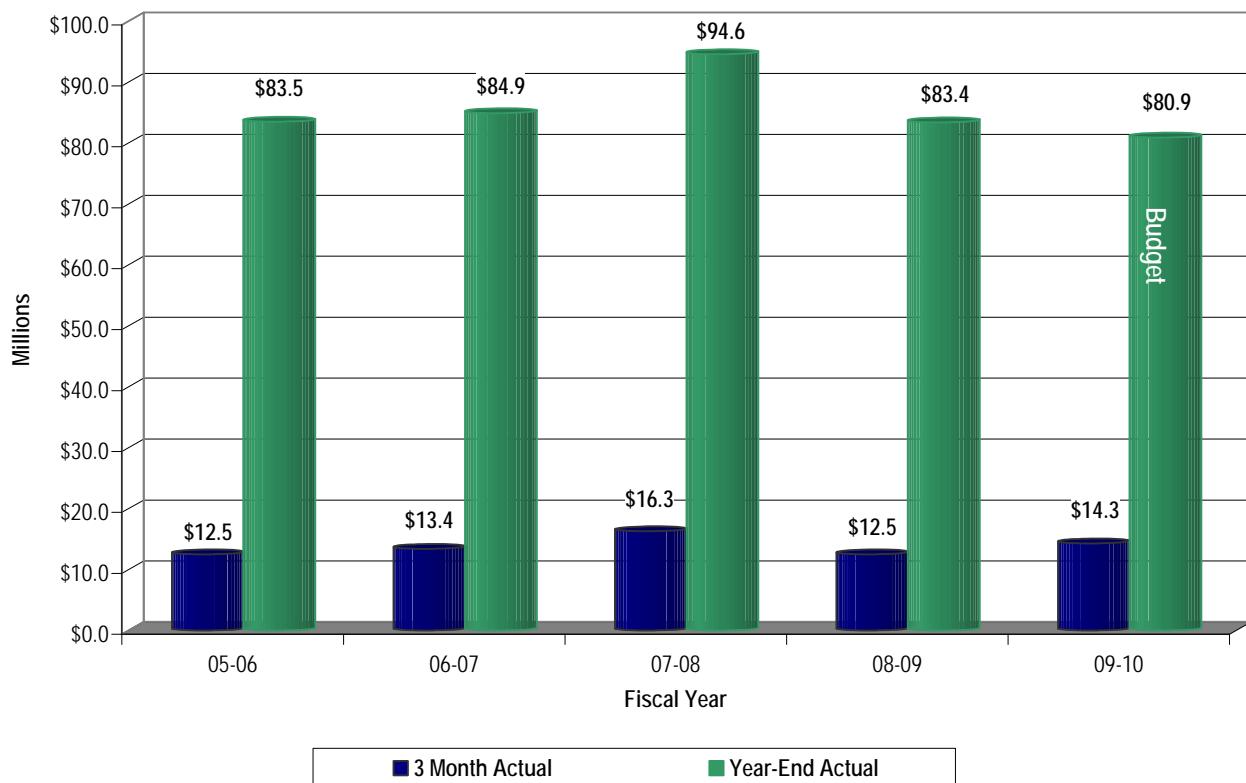


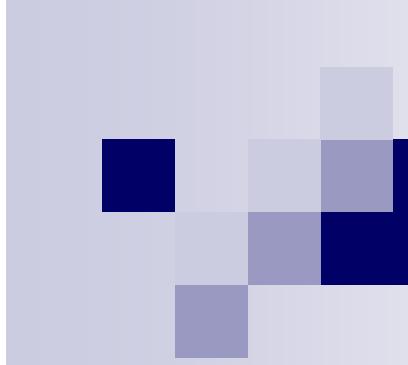
Department Revenue

Revenue received by the General Fund departments during the first quarter totaled \$14.3 million compared to the \$12.5 million received during the first quarter of Fiscal Year 2008-2009. Although there are various increases and decreases throughout the General Funds the primary reason for the revenue increase over last quarter is due to the Sheriff's Department earlier billing to the Contract Cities for first quarter services. Overall, the Fiscal Year 2009-2010 revenue amount represents approximately 17.7% of the final budget. Over the prior four years departmental revenue in the first quarter has fluctuated from a high of \$16.3 million to a low of \$12.5 million, representing 17.2% to 15% of the total revenue received in those years.

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

General Fund-Departmental Revenue Five-Year Comparison





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 September 30, 2009 total expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A safe community* are \$35.3 million compared to \$39.6 million for the same period one year ago. This amount represents 22.2% of the 2009-2010 adjusted budget. For the last two fiscal years expenditures at the end of the first quarter were 23.1% and 24.1% of the total annual expenditures, placing this year's expenditures below the norm.

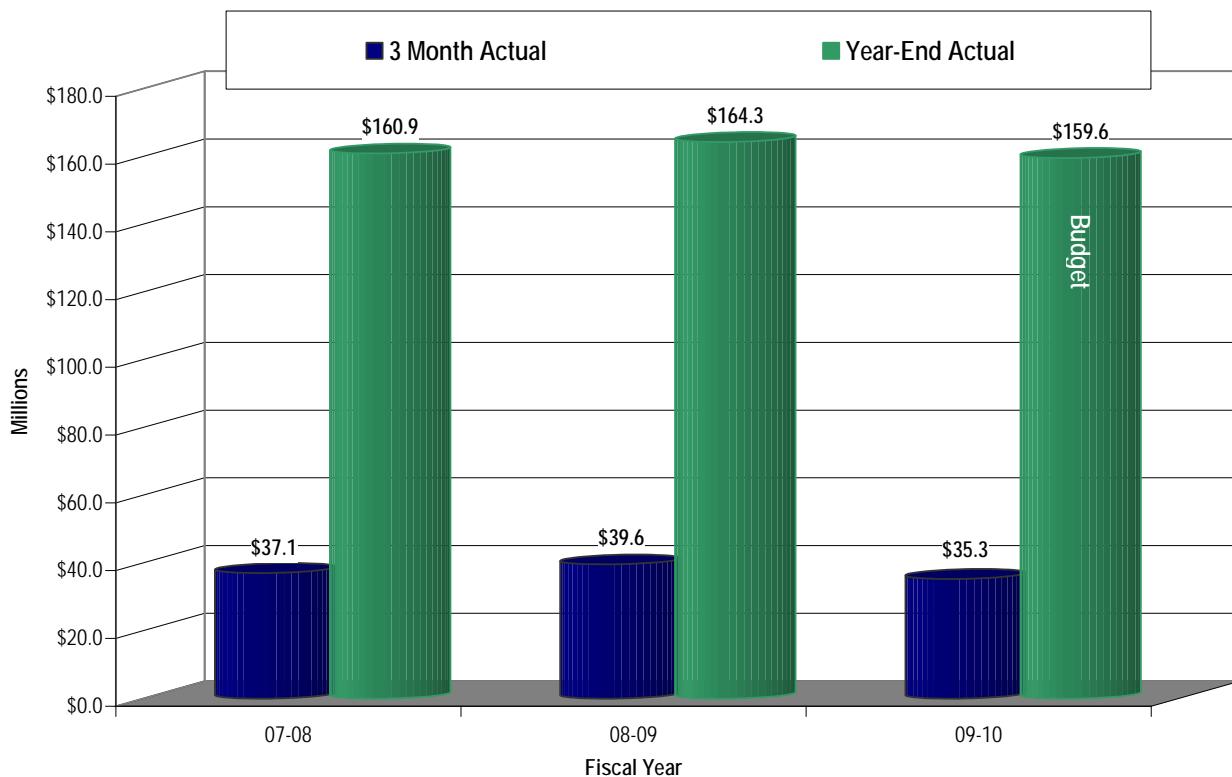
Some of the significant variations in departmental expenditures this year, compared to the same time period one year ago include:

- ◆ \$133,964 decrease in the Chief Executive Office - County Fire Service Fund budget due to the timing of contract payments to the City of Modesto, last fiscal year these charges were paid in the first quarter. This year the charges were not paid until October. In addition some salary saving have been achieved due to having two staff out on leave;
- ◆ A \$148,853 decrease in the District Attorney - Criminal budget due to a five percent budget reduction issued as part of the proposed budget;
- ◆ A \$1.7 million decrease in the Chief Executive Office - Jail Medical budget due to the delay in setting up payments to the new vendor;
- ◆ A \$213,998 decrease in the Probation - Field Service budget as the result of salary savings from vacant positions and employees using voluntary time off, a decrease in retirement cost and the department not incurring workers' compensation charges;
- ◆ A \$167,334 decrease in the Public Defender - Indigent Defense budget due to a decrease in charges from attorneys assigned to represent indigent defendants; and
- ◆ A \$2 million overall decrease in the Sheriff - Administration, Cal-MMET, Detention, Operations and Ray Simon Training Center budgets due to the department not incurring workers' compensation charges,

and a decrease in overtime hours and retirement expense. In addition, for Detention and Operations, the department had additional fixed asset expenses for facility improvements at the Honor Farm and the installation of an ergonomic desk and filing system in the Records Division. The Ray Simon Training Center had reduced services and supplies expense due to a reduction in the number of POST classes (two in Fiscal Year 2009-2010 down from three in Fiscal Year 2008-2009) and class size is also smaller.

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

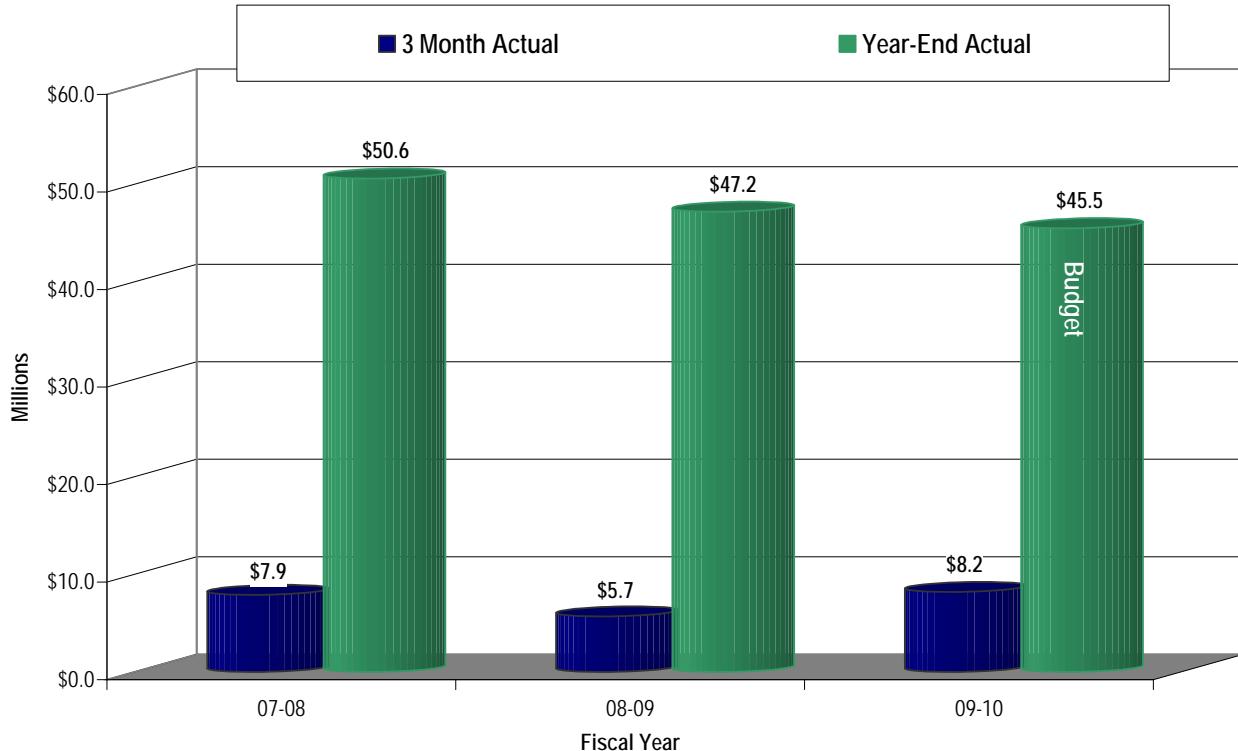
As of September 30, 2009, revenue for the departmental budgets that fall under the Board of Supervisors priority area of *A safe community* total \$8.2 million, compared to \$5.7 million for the same period one year ago. This amount represents 18% of the 2009-2010 adjusted budget. For the last two fiscal years collections at the end of the first quarter were 15.6% and 12.1% of the total annual revenue, placing this year's collections significantly above the norm.

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

- ◆ An \$135,133 increase in the Integrated County Justice Information System (ICJIS) budget due to a change in billing methodology from an annual charge to a quarterly charge;
- ◆ A \$200,661 increase in the Probation - Institutions budget due to the Department receiving Juvenile Probation Camp funding that was due the last quarter in Fiscal Year 2008-2009 in the First Quarter of the 2009-2010 Fiscal Year; and
- ◆ A combined \$2.1 million increase in the Sheriff - Contract Cities and Detention budgets. The increase in Contract Cities of \$2,004,508 is due to being current in billing for the first three months of contractual law enforcement services. For Detention, the \$124,474 increase in revenue is due to 1) the receipt of reimbursement payments for State mandated programs that originated with the passage of Senate Bill 90 (SB90) - the Property Tax Relief Act of 1972, 2) an increase in cash receipts for inmates on Alternative Work Programs, and 3) timely billing for law enforcement services for inmate work crews.

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



FIRST QUARTER ISSUES AND RECOMMENDATIONS

DISTRICT ATTORNEY—VARIOUS GRANT PROGRAMS – A number of District Attorney grant programs ended the 2008-2009 Fiscal Year with a fund balance deficit of \$28,683 in total, due primarily to program costs exceeding the funding available from the granting agencies. Three programs ended the year with surplus General Fund County Match, which is requested to be transferred to the programs with a deficit balance as described below:

Fund	Budget Unit	Fund Balance
1706	Elder Abuse Advocacy and Outreach	(\$16,161)
1710	Victim Compensation and Government Claims	(\$4,376)
1714	Victim Services Program	(\$7,705)
1713	Workers' Compensation Fraud Prosecution	<u>(\$441)</u>
	Total Deficit	(\$28,683)
1776	Real Estate Fraud Prosecution	\$3,362
1741	Spousal Abuser Prosecution Program	\$11,828
1775	Vertical Prosecution Block Grant	<u>\$13,493</u>
	Total Surplus to be Transferred	\$28,683

An increase in appropriations and estimated revenue is requested to account for the transfer of funding between these grants. This would leave \$2,227 available in the Vertical Prosecution Block Grant fund. There is no additional General Fund money requested.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
DA - Elder Abuse Advocacy & Outreach	\$0	\$16,161	(\$16,161)	Transfer in funding to correct deficit fund balance	
DA - Victim Compensation & Gov't Claims	\$0	\$4,376	(\$4,376)	Transfer in funding to correct deficit fund balance	
DA - Victim Services Program	\$0	\$7,705	(\$7,705)	Transfer in funding to correct deficit fund balance	
DA - Workers' Compensation Fraud Prosecution	\$0	\$441	(\$441)	Transfer in funding to correct deficit fund balance	

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
DA - Real Estate Fraud Prosecution	\$3,362	\$0	\$3,362	Transfer out funding to correct deficit fund balances in other grants	
DA - Spousal Abuser Prosecution Program	\$11,828	\$0	\$11,828	Transfer out funding to correct deficit fund balances in other grants	
DA - Vertical Prosecution Block Grant	\$13,493	\$0	\$13,493	Transfer out funding to correct deficit fund balances in other grants	
Total	\$28,683	\$28,683	\$0		

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue by \$28,683 in the various grant programs. It is further recommended that the Auditor-Controller and the Chief Executive Officer be given the authority to make the transfer of funds as stated above.

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 budgets of Administration, Field Services and Institutional Services in order to ensure these budgets end the year in a positive financial position. The Probation - Institutional Services budget is experiencing higher than anticipated expenditures due to a consistently high population at the Juvenile Hall. The ability to transfer appropriations between budgets will allow the Department to maintain a balanced budget without requesting additional appropriations for Institutional Services.

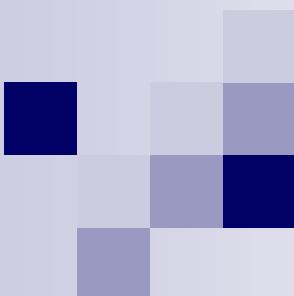
Probation – Field Services: The Department is requesting to delete revenue, appropriations and positions associated with the Substance Abuse and Crime Prevention Act more commonly known as Proposition 36. The Substance Abuse and Crime Prevention Act (SACPA) was voted into legislation in November 2000. Under SACPA, first or second-time nonviolent adult drug offenders who use, possess, or transport illegal drugs for personal use could receive drug treatment rather than incarceration. The lead agency for the County, Behavioral Health and Recovery Services, is no longer receiving funding for this program. Of the funding received in the 2008-2009 Fiscal Year, the Probation Department was allocated \$297,442 in order to provide probation services to offenders assigned to Proposition 36. This funding was used to fund the activities of two Deputy Probation Officers and one Legal Clerk. The Department has moved staff into other funded positions in other assignments in anticipation of this loss of funding and has requested to delete two unfunded, vacant Deputy Probation Officer II positions and one unfunded, vacant Legal Clerk III position.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Probation - Field Services	(\$297,442)	(\$297,442)	\$0	Decrease appropriations and estimated revenue to reflect the loss of Proposition 36 funding	
Probation - Field Services				Delete the following unfunded, vacant positions: two Deputy Probation Officer II and one Legal Clerk III	Delete positions
Total	(\$297,442)	(\$297,442)	\$0		

Summary of Recommendations: It is recommended to decrease appropriations and estimated revenue by \$297,442 in the Probation - Field Services budget to reflect the loss of Proposition 36 funding. 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 budgets of Administration, Field Services and Institutional Services.

SUMMARY

Overall, appropriations and estimated revenue at the first quarter of the 2009-2010 Fiscal Year, for the Board of Supervisors priority area of *A safe community* are recommended to decrease \$268,759. It is further recommended that the Auditor-Controller and the Chief Executive Officer be given the authority to process future Probation Department requests to transfer appropriations among the three budgets of Administration, Field Services and Institutional Services.



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, fees for service and, where required, local discretionary funds are used primarily to match other governmental funding in support of these programs.

DEPARTMENTAL EXPENDITURES

As of September 30, 2009, expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A healthy community* are at \$90.3 million compared to \$82.6 million for the same period one year ago. This amount represents 19% of the 2009-2010 adjusted budget. For the last two fiscal years expenditures at the end of the first quarter were 19% and 18.8% of the total annual expenditures, placing this year's expenditures within the norm.

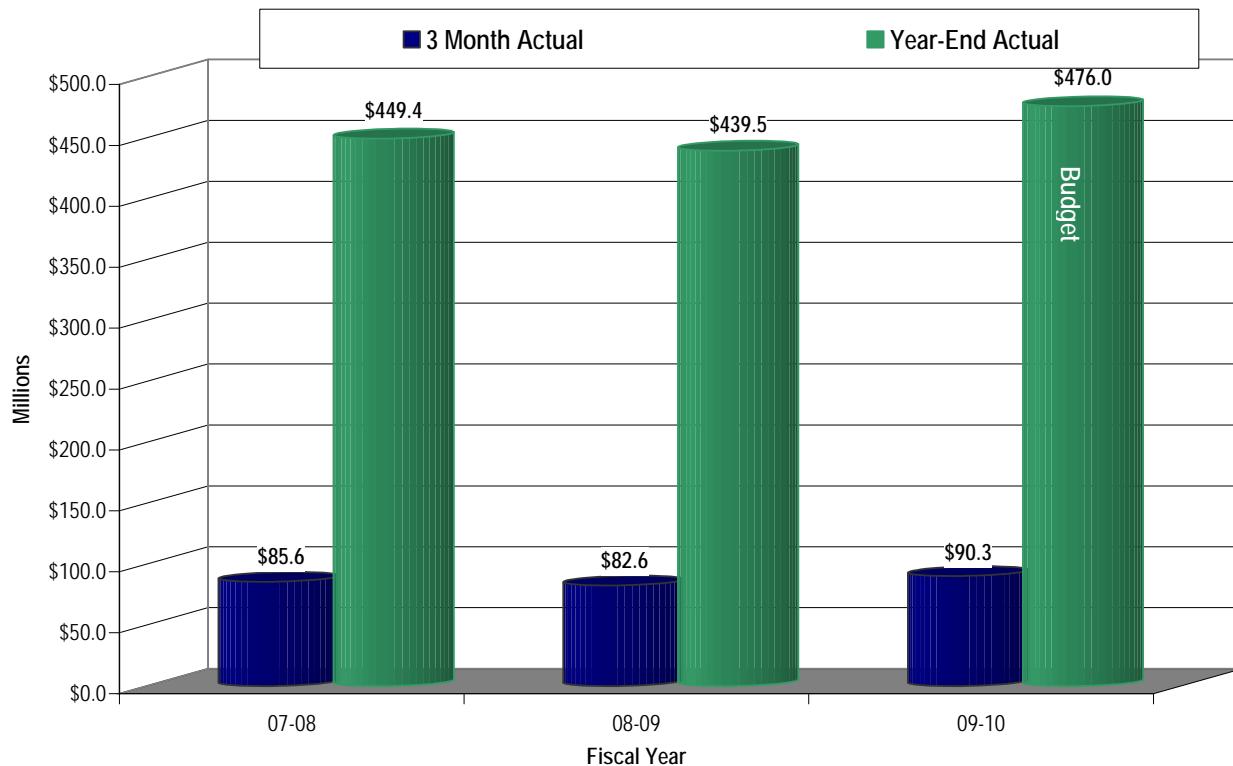
Some of the significant variations in departmental expenditures this year, compared to the same time period one year ago include:

- ◆ A \$15,000 net decrease in the Area Agency on Aging and Veterans' budgets. This budgeted decrease is primarily due to the timing of expenditures for programs and services;
- ◆ A \$1.7 million net increase in the Behavioral Health and Recovery Services' budgets. This budgeted increase is primarily due to the establishment of an audit contingency accounts payable account for tracking purposes, and an increase in programs using Mental Health Services Act funds;
- ◆ A \$226,000 net increase in the Children and Families Commission budget. This is primarily due to timing of receipt of contractor invoices;
- ◆ A \$400,000 net decrease in the Child Support Services budget. This budgeted decrease is primarily due to the timing of expenditures for programs and services;
- ◆ A \$3.6 million net increase in the Community Services Agency's budgets. This is primarily due to timing of expenditures for the In-Home Supportive Services Individual Provider costs; and

- ◆ A \$2.6 million net increase in the Health Services Agency's budgets. This budgeted increase is primarily due to implementation and start-up costs associated with the new Electronic Medical Records project in the Clinics 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 Expenditure Three Year Comparison



DEPARTMENTAL REVENUE

As of September 30, 2009 revenue for the departmental budgets that are a part of the Board of Supervisors priority area of *A healthy community* are at \$64.2 million compared to \$55.1 million for the same period one year ago. This amount represents 13.7% of the 2009-2010 adjusted budget. For the last two fiscal years collections at the end of the first quarter were 12% and 12.5% of the total annual revenue, placing this year's collections slightly above the norm.

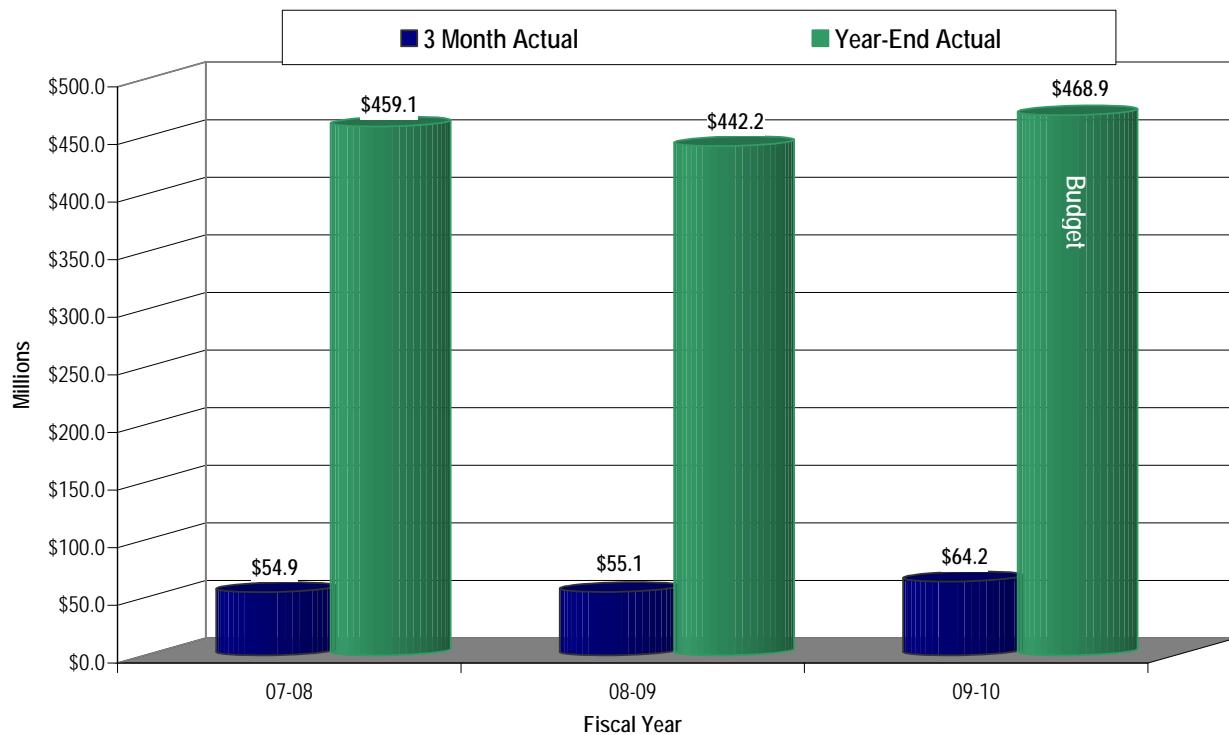
Some of the significant variations in departmental revenue this year, compared to the same time period one year ago include:

- ◆ A \$438,000 net increase in the Area Agency on Aging and Veterans' budgets. This is primarily due to timing of receipt of State and Federal funding;

- ◆ A \$4.1 million net increase in the Behavioral Health and Recovery Services' budgets. This is primarily due to budgeted increases in Federal stimulus funding and an increased State allocation for Mental Health Services Act programs outside the core services provided by the Department;
- ◆ A \$1.5 million net increase in the Children and Families Commission's budgets. This is primarily due to timing of receipt of State and Federal funding;
- ◆ A \$2.5 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 Provider Program; and
- ◆ A \$625,000 net increase in the Health Services Agency's budgets. This is primarily due to increased patient revenue in the Clinic and Ancillary Services budget and the transfer of the Agency's accounting system from Meditech to Oracle.

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



FIRST QUARTER ISSUES AND RECOMMENDATIONS

BEHAVIORAL HEALTH AND RECOVERY SERVICES: The Department has requested to transfer one Administrative Clerk III position from the Behavioral Health and Recovery Services (BHRS) budget to the BHRS - Public Guardian budget; two Behavioral Health Specialist II positions from the Behavioral Health and Recovery Services budget to the BHRS - Alcohol and Drug budget; one Administrative Clerk III and one Mental Health Clinician II positions from the BHRS - Managed Care budget to the Behavioral Health and Recovery Services budget; and one Behavioral Health Specialist II and one Stock Delivery Clerk II positions from the BHRS - Public Guardian budget to the Behavioral Health and Recovery Services budget, to properly align positions with budgeted funds. Additionally, the Department has requested to unfund the following nine vacant positions: one Behavioral Health Specialist II, one Mental Health Clinician II, one Administrative Clerk III, and six Clinical Services Technician II positions. The Department has also requested to properly classify a Staff Services Analyst position which has been under-filled for more than two years.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
BHRS				Transfer out one Administrative Clerk III position	Transfer to Public Guardian
BHRS				Transfer out two Behavioral Health Specialist II positions	Transfer to Alcohol & Drug
BHRS				Unfund one Administrative Clerk III, one Clinical Services Technician II, and one Mental Health Clinician II	Unfund three vacant positions
BHRS				Reclassify downward one Staff Services Analyst position	Staff Services Technician

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
BHRS - Managed Care				Transfer out one Administrative Clerk III and one Mental Health Clinician II positions	Transfer to BHRS
BHRS - Public Guardian				Transfer out one Behavioral Health Specialist II and one Stock Delivery Clerk II positions	Transfer to BHRS
BHRS - Stanislaus Recovery Center				Unfund one Behavioral Health Specialist II, and five Clinical Services Technician II	Unfund six vacant positions
Total					

Summary of Recommendations: It is recommended to transfer one Administrative Clerk III position from the Behavioral Health and Recovery Services budget to the BHRS - Public Guardian budget; two Behavioral Health Specialist II positions from the Behavioral Health and Recovery Services budget to the BHRS - Alcohol and Drug budget; one Administrative Clerk III and one Mental Health Clinician II positions from the BHRS - Managed Care budget to the Behavioral Health and Recovery Services budget; and one Behavioral Health Specialist II and one Stock Delivery Clerk II positions from the BHRS - Public Guardian budget to the Behavioral Health and Recovery Services budget. It is also recommended to reclassify downward one Staff Services Analyst position to Staff Services Technician. It is recommended to unfund the following nine vacant positions: one Administrative Clerk III, six Clinical Services Technician II, one Mental Health Clinician II and one Behavioral Health Specialist II, decreasing the Department's position allocation to 356.

COMMUNITY SERVICES AGENCY: Overall, the Community Services Agency (CSA) is requesting an increase in appropriations of \$8,713,167 from the Final Budget level of \$168,724,811 to \$177,437,978 in the Services and Support budget. This overall increase is a result of a combination of increases and decreases in various expenditure categories due to the receipt of Fiscal Year 2009-2010 final allocations of \$7.5 million augmented with \$1.2 million in funds newly appropriated at first quarter primarily for StanWORKS programs.

These allocation increases are net of State budget cuts and recognize substantial caseload growth in public assistance programs. The majority of the increase, \$7.4 million, is in the StanWORKS program allocations; \$5.5 million in CalWORKs, \$1.8 million in Medi-Cal, \$.3 million in Child Care Stage 1, offset by the small decrease of \$.2 million in Consortium-IV. These programs do not have a County share beyond the base Maintenance of Effort (MOE) which has already been included in the base General Fund utilization. Other programs within CSA are unable to use their full allocation due to a lack of match funds.

As a result of the ongoing economic situation impacting the community, the Department has experienced significant increases in customer need for public economic assistance.

- ◆ The number of individuals receiving public assistance has grown 23% over the last two years, from 119,554 to 146,744;
- ◆ Overall monthly applications for Cash Assistance, Food Stamps, and Medi-Cal have increased over 43% during the last two years;
- ◆ During the past three years, the Food Stamp Program has grown by 37%. As of August 2009, 63,262 individuals received Food Stamp benefits, a 24% increase over August 2008 of 51,162 aided individuals;
- ◆ Cash Assistance has grown by 20% during the past three years. As of August 2009, 28,464 individuals received cash assistance, an increase of 8% over August 2008 of 26,403 aided individuals; and
- ◆ During the past three years, the Medi-Cal eligible population has grown by 7%. Approximately 121,000 County residents are eligible for low cost medical assistance which represents approximately 25% of the County population.

CSA has developed spending plan strategies which result in the following requests for adjustments using additional State/Federal allocations as follows:

- ◆ An increase of \$1,276,000 in Salaries and Benefits to reflect the elimination of mandatory furloughs effective January 1, 2010. As mentioned above, the customer need for assistance continues to increase and requires that staff be available to respond to this level of service demand and meet the mandated workload. Over 70% of this increase is absorbed within the additional allocation funding for StanWORKs programs provided by the State for caseload growth. The remainder is absorbed within social services program savings generated through increased operating support directed to meet StanWORKs customer needs. As of First Quarter 2009-2010, the Department has unfunded 102 positions, approximately 11% of its workforce;
- ◆ The final CalWORKs program allocation includes a significant unanticipated increase for caseload growth. The receipt of these additional funds has allowed the Department to restore reductions made to CalWORKs Welfare to Work (WtW) at final budget as follows: \$323,364 to continue WtW contracts at the existing level; support the redirection of casework staff back to WtW from other social services programs; \$722,316 to continue the inter-department Mental Health/Substance Abuse Treatment (MHSAT) contract with BHRS through the balance of Fiscal Year 2009-2010. In addition, an increase

of \$3,295,605 is dedicated to support CalWORKs WtW subsidized employment for CalWORKs participants;

- ◆ CSA has estimated the cost of a material system repair for the Community Services Facility (CSF) HVAC with a total cost projection of \$1.4 million. Appropriations of \$1,010,024 are included as a placeholder within the CSA budget pending analysis with the General Services Agency and CEO Capital Projects Team. Financial solutions will need to include all of the CSF departments in the following percentages: CSA 77.54%; Department of Child Support Services 12.35%; Alliance Worknet 7.71%; and Health Services Agency Women, Infant and Children (WIC) Program 2.40%. CSA will return to the Board with a specific recommendation prior to midyear;
- ◆ A decrease of \$128,663 in Consortium IV (C-IV) maintenance and operations project costs to reflect the corresponding decrease in C-IV project funds;
- ◆ An increase of \$289,830 to use available Fraud Incentive funds for one-time support for fraud prevention, detection, safety, and prosecution strategies which include: \$70,143 to support two extra-help investigations staff effective December 1, 2009; \$185,000 to reinstate the District Attorney Fraud Prosecution contract; and \$34,687 for safety and surveillance equipment;
- ◆ An increase of \$801,931 in Salaries and Benefits to use the funds provided for Medi-Cal caseload growth to support 29 extra-help casework staff effective December 1, 2009. These extra-help staff will be targeted at front end service delivery to ensure the timely processing of applications along with the redetermination of continued eligibility to ensure all eligible customers receive benefits to which they are entitled;
- ◆ An increase of \$787,199 to recognize the funds received for Medi-Cal Personally Identifiable Information (PII). These funds are designated for specific items necessary to meet the requirements of the data privacy and security agreement with the Department of Health Care Services (DHCS) to ensure privacy and security of Medi-Cal PII. In order to ensure compliance with these requirements, CSA will work with DHCS to implement a spending plan for these funds; and
- ◆ An increase of \$335,561 to utilize the additional funds provided in the Child Care Stage 1 allocation for Child Care provider payments in recognition of the increased focus on WtW activities.

It is important to note that the Department is unable to access, or match an additional \$1 million in Federal and State funds available in the In-Home Supportive Services (IHSS) case management and Non-Assistance Food Stamp (NAFS) allocations that will be returned during Fiscal Year 2009-2010 as a result of an insufficient local match of approximately \$159,000. In addition, the Department has just received notification of an additional \$2.2 million in NAFS allocation funds that the Department is unable to access without the required local match of approximately \$363,000. The resulting total loss of allocation funds to Stanislaus County is \$3.2 million. The inability to maximize Federal and State funds not only impacts current operations, but can potentially impact future allocations due to the Department's inability to spend at the level required to manage program caseload.

As part of the 2009-2010 State Budget process, ABX4 19 included changes to the In-Home Supportive Services program that were to be implemented as of November 1, 2009. All 58 counties are struggling to meet this deadline, as the State has not provided the requested final implementation instructions. In particular, new requirements for orientation and training of individual providers are a cause for concern due to the amount of staff time needed to accomplish. Additionally, there are conflicting fingerprint clearance interpretations between the Department of Justice and California Department of Social Services that must be resolved to meet the new fingerprinting requirements for individual providers and those receiving services. The Community Services Agency, along with all other counties, has requested the implementation deadline be adjusted to provide sufficient time for these issues to be resolved and guidance made available that will enable the changes to be implemented with minimal disruption of services to those in need. Further, on October 19, 2009 a federal judge issued a temporary restraining order to prevent California from cutting services for participants in the state's In-Home Supportive Services program, originally scheduled for a November 1 implementation. At this time, the potential impact on Counties from this restraining order is unknown.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CSA - Services & Support	\$1,276,000	\$1,276,000	\$0	Increase Salaries and Benefits for furlough elimination due to increased program allocations	
CSA - Services & Support	\$323,364	\$323,364	\$0	Increase to restore final budget WtW contract cuts due to increased CalWORKs allocation	
CSA - Services & Support	\$722,316	\$722,316	\$0	Increase MHSAT BHRS contract due to increased CalWORKs allocation	
CSA - Services & Support	\$3,295,605	\$3,295,605	\$0	Increase WtW Directs for subsidized employment due to increased CalWORKs allocation	
CSA - Services & Support	\$1,010,024	\$1,010,024	\$0	Increase for HVAC repair due to increased program allocations	

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CSA - Services & Support	(\$128,663)	(\$128,663)	\$0	Decrease C-IV contract due to decreased C-IV allocation	
CSA - Services & Support	\$70,143	\$70,143	\$0	Increase Salaries and Benefits to spend available Fraud Incentive funding	Two Special Investigations extra-help staff effective 12/01/09
CSA - Services & Support	\$219,687	\$219,687	\$0	Increase surveillance equipment and DA fraud contract to spend available Fraud Incentive funding	
CSA - Services & Support	\$801,931	\$801,931	\$0	Increase Salaries and Benefits due to increased Medi-Cal allocation	29 Medi-Cal extra-help staff effective 12/1/09-6/30/10
CSA - Services & Support	\$787,199	\$787,199	\$0	Increase Medi-Cal PII equipment to spend Medi-Cal PII allocation	
CSA - Services & Support	\$335,561	\$335,561	\$0	Child Care Stage 1 provider payments due to increased Child Care Stage 1 allocation	
CSA - Services & Support				Unfund one vacant Confidential Assistant III position	Unfund vacant position
Total	\$8,713,167	\$8,713,167	\$0		

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue by \$8,713,167 due to State and Federal fund increases. It is recommended to unfund one vacant Confidential Assistant III position, decreasing the Department's position allocation to 849.

HEALTH SERVICES AGENCY: As noted in Stanislaus County's Final Budget approved by the Board of Supervisors on September 15, 2009, the Health Services Agency (HSA) planned to return to the Board of Supervisors with recommended program and/or fiscal changes needed to reflect the reduced level of State funding in the various Public Health programs.

According to the most current program information, the fiscal impact resulting from the State budget crisis requires the Department to make public health program reductions in excess of \$1.4 million. Of note, while the Department has received most of the program allocations from the State, the Health Services Agency anticipates that additional revisions will be needed during this current fiscal year.

The following is a breakdown of the requested major program changes as well as the resulting local fiscal impact.

- ◆ The California Children Services (CCS) is a State program for children with certain diseases, physical limitations or chronic health programs. Through this program, children up to 21 years old can get the health care and services they need. While CCS doesn't cover all health issues, CCS does cover most problems that are physically disabling. Included in this program is the Agency's Medical Therapy Unit (MTU) that provides physical therapy and occupational therapy services. According to the most recent allocation schedules, Public Health will receive a \$78,112 increase in administrative costs to be reimbursed, however, the increase will be offset by a decrease of \$38,838 in the allocation to be received for the MTU unit resulting in an increase of \$39,274. Additionally, this program was budgeted to be partially funded with an operating transfer in of \$248,650 from the Health Services Agency – Health Coverage and Quality Services (HCQS) fund balance. However, in an effort to resolve the Public Health structural deficit, the Department is requesting to eliminate the \$248,650 in HCQS operating transfers in thereby resulting in an overall revenue decrease to this program of \$209,376;
- ◆ The California Refugee Resettlement Program is comprised of many program partners at the Federal, State, County and community level. In California, the program is 100 percent Federally funded by the Office of Refugee Resettlement and is administered by the State. The Department recently received award letters announcing increased funding for the following refugee programs – Health Assessment and Preventive Health Program. The total increase in appropriations and estimated revenue for the Refugee programs is \$61,800;
- ◆ The Adolescent Family Life Program (AFLP) is designed to enhance the health, social, economic and educational well-being of pregnant and parenting adolescents and their children. Built on a comprehensive case management model, the program works to assess client strengths and link clients to services in an effort to promote positive pregnancy outcomes, effective parenting and socioeconomic independence. The Agency's original budget estimated the Federal portion for this program at \$103,395; however, the final allocation schedule for Fiscal Year 2009-2010 indicates the Federal portion at \$148,730 resulting in an increase in Federal revenue of \$45,335. However, no State General Funds have been allocated for this program resulting in a decrease of \$183,214 in State revenue, resulting in a net decrease of \$137,879 in appropriations and estimated revenue. Additionally, this program was budgeted to be partially funded with an operating transfer in of \$211,103 from the HCQS fund balance. However, in an effort to resolve the Public Health structural deficit, the Department is requesting to eliminate the use of HCQS fund balance, resulting in an overall decrease to this program of \$348,982. Due to this large revenue decrease, a reduction in program positions is necessitated; hence, producing a significant reduction in salary and benefit costs;

- ◆ The Medi-Cal Administration Activities (MAA) Program is funded by Federal and local funds. The program offers a way for local governmental agencies to obtain federal reimbursement for the cost of certain administrative activities necessary for the proper and efficient administration of the Medi-Cal Program. The Department had overestimated program revenue by \$324,512 in the 2009-2010 Proposed Budget and is now requesting a budget correction;
- ◆ The Targeted Case Management (TCM) Program is a Medi-Cal Program funded by Federal and local realignment funds. The TCM Program provides specialized case management services to Medi-Cal eligible individuals in a defined target population in order to gain access to needed medical, social educational and other services. The Department has continued to analyze this program and is now projecting program revenue will be \$117,492 higher than originally estimated; and
- ◆ The Maternal, Child and Adolescent Health (MCAH) Program promotes healthy living for mothers and their families through programs for reproductive health, family planning, pregnancy, birth defects, infants, children, teens, etc. The program helps individuals achieve their full potential through a focus towards comprehensive health; physical and psychosocial needs of the maternal, child and adolescent health population are targeted. To meet the program goals, partnerships and agreements with the various State, Federal and local agencies have been formed and funding is provided through Title V (MCAH Program), Title XIX (Medicaid) and the State General Fund. The California Department of Public Health MCAH Program allocates funds annually to support local MCAH programs that are developed, operated and managed by local health jurisdictions throughout California. However, due to State budget cuts, the Department's MCAH Program has received \$37,300 less this year to administer the local MCAH Program. This decrease includes revisions to the local MCAH Program scope of work. The new scope of work requires only essential Title V requirements while all optional Title V requirements, such as case finding, patient education and community awareness, will be eliminated. Additionally, in an effort to resolve the Public Health structural deficit, the Department is requesting to decrease appropriations by an additional \$105,559 through salary savings from vacant positions.

The Health Services Agency receives and provides various services to the local HIV/AIDS population including, but not limited to, all of the following:

- ◆ Case management services which provide comprehensive AIDS case management and direct care services at no cost to persons with HIV or AIDS as an alternative to nursing facility care or hospitalization;
- ◆ Early intervention program which is a multidisciplinary program designed to provide a coordinated approach to meet the health needs of individuals with HIV and to address HIV-transmission concerns; and
- ◆ HIV Care Services program is funded by Federal monies via the Ryan White HIV/AIDS Treatment Modernization Act of 2006 and is used to provide health and support services that increase access to and maintenance of primary medical care for the HIV/AIDS population.

Due to the California budget crisis, State General Fund support for the various AIDS/HIV programs administered by the State has been eliminated. The fiscal impact to the Department's HIV/AIDS programs is an overall decrease of \$493,069 in revenue, which will result in a significant reduction in salary and benefit costs. Services retained through the remaining \$229,561 of Federal funding will be provided in a manner which seeks to minimize disruption for clients and maximize value.

As part of the 2009-2010 Final Budget, Public Health Administration was budgeted to be partially funded with an operating transfer in of \$217,829 from the HCQS fund balance. However, in an effort to resolve the Public Health structural deficit, the Department is requesting to eliminate the \$217,829 in HCQS operating transfers in thereby resulting in an overall decrease to this program of \$217,829. The expenditure decreases associated with this decrease in revenue will be realized via salary and benefit cost savings across various Public Health programs. Additional efforts to resolve the structural deficit include a requested reduction in appropriations of \$109,071 in the Multi-purpose Senior Services Program (MSSP), to be achieved through salary savings from vacant positions.

There have also been some small increases and decreases in other various Public Health programs, including, but not limited to, Families in Partnership, Sierra Dental, and the Stanislaus County Office of Education Nutrition Program. The result of these changes is an increase in appropriations of \$15,440 and an increase in estimated revenue of \$28,768.

The Fiscal Year 2009-2010 Health Services Agency – Public Health budget was balanced using \$677,582 of fund balance transferred in from the Health Coverage and Quality Services Fund. This transfer was aimed at allowing the Public Health division time to review their various programs in an effort to identify changes and/or revisions necessary to resolve the Division's structural funding deficit. The Department has been successful in reviewing and rearranging programs and/or resources so that the ultimate use of the HCQS transfer has been minimized. Based on budget revisions being submitted with the First Quarter Report, the Public Health's budget will be balanced using only \$20,692 of the \$677,582 transferred from HCQS. It is the intent of Agency management to designate the remaining funds for potential contingencies in future fiscal years. However, the designation of the remaining funds will be requested during the County's Fiscal Year 2010-2011 budget cycle.

The Department has requested to fund a previously unfunded vacant Accounting Supervisor position. Due to an administrative error, this position was approved by the Board of Supervisors to be unfunded in Fiscal Year 2009-2010 Proposed Budget, however funding for this position had been included in the budget. The Department has requested to transfer one Staff Services Analyst position from the Public Health budget to Administration to appropriately align the position's safety functions that serves the entire agency. In addition, the Department has requested to properly classify a Community Health Worker III position which has been under-filled since 2006. Due to increased WIC caseload growth the Department has requested to add one Public Health Nutritionist II position and restore funding to two previously unfunded vacant Administrative Clerk II positions. As a result of program reductions in Public Health, the Department recommends the deletion of the following vacant positions: one Administrative Clerk III, one Public Health Nurse III, five Public Health Nurse II, one Social Worker III, and one Physical/ Occupational Therapist II. The Department is also requesting to delete the following filled positions: one Medical Investigator, one Social Worker III, and one Social Worker IV, resulting in a reduction-in-force. Additionally, the Department has requested to unfund three Community Health Worker III, one vacant Health Educator and three vacant Public Health Nurse III positions.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
HSA - Administration				Fund one vacant, unfunded Accounting Supervisor	Fund vacant position
HSA - Public Health				Transfer out one Staff Services Analyst position	Transfer to Administration
HSA - Public Health	\$39,274	(\$209,376)	\$248,650	Net increase in California Children's Services State revenue and decreases in transfers in	
HSA - Public Health	\$61,800	\$61,800	\$0	Increased Federal funding for Refugee programs and immunization activities	
HSA - Public Health	(\$348,982)	(\$348,982)	\$0	Decrease in Adolescent Family Life Program due to State budget cuts	
HSA - Public Health	(\$324,512)	(\$324,512)	\$0	Decrease in Medi-Cal Administration Activities Program funding	
HSA - Public Health	\$117,492	\$117,492	\$0	Increase in Targeted Case Management Program funding	
HSA - Public Health	(\$142,859)	(\$37,300)	(\$105,559)	Decrease in Maternal, Child and Adolescent Health Program due to State budget reductions and reduced use of fund balance	

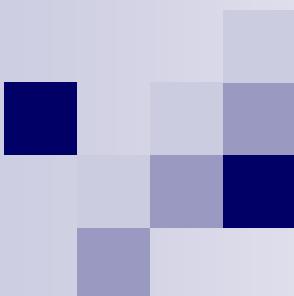
Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
HSA - Public Health	(\$493,069)	(\$493,069)	\$0	Elimination of State funding for HIV/AIDS Program	
HSA - Public Health	(\$217,829)	(\$217,829)	\$0	Salary savings and decrease in transfers in	
HSA - Public Health	(\$109,071)	\$0	(\$109,071)	Decrease in Multi-purpose Senior Services program use of fund balance	
HSA - Public Health	\$15,440	\$28,768	(\$13,328)	Changes in funding in various programs	
HSA - Public Health				Increase in WIC due to caseload growth	Fund two unfunded, vacant Administrative Clerk II positions
HSA - Public Health				Increase in WIC due to caseload growth	Add one Public Health Nutritionist II position
HSA - Public Health				Reclassify downward one Community Health Worker III position	Block-budgeted Community Health Worker II
HSA - Public Health				Program reductions	Delete the following vacant positions: one Administrative Clerk III, one Public Health Nurse III, five Public Health Nurse II, one Social Worker III, one Physical/Occupational Therapist II,
HSA - Public Health				Program reductions	Delete the following filled positions: one Medical Investigator, one

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
				Social Worker III, and one Social Worker IV, resulting in a reduction-in-force	
HSA - Public Health				Unfund the following positions: three Community Health Worker III, one Health Educator and three Public Health Nurse III	Unfund vacant positions
Total	(\$1,402,316)	(\$1,423,008)	\$20,692		

Summary of Recommendations: It is recommended to decrease appropriations by \$1,402,316 and estimated revenue by \$1,423,008 from State and Federal funds, increasing the use of departmental fund balance by \$20,692. It is recommended to transfer one Staff Services Analyst position from Public Health to Administration budget. It is also recommended to reclassify downward one Community Health Worker III position to block-budgeted Community Health Worker II. Funding is recommended to fund two vacant unfunded Administrative Clerk II positions and one vacant Accounting Supervisor position, and to add one Public Health Nutritionist II position. It is also recommended that the following vacant positions be deleted: one Administrative Clerk III, one Public Health Nurse III, five Public Health Nurse II, one Social Worker III, and one Physical/Occupational Therapist II. Also recommended is the deletion of the following filled positions: one Medical Investigator, one Social Worker III, and one Social Worker IV. A reduction-in-force action is recommended for three filled positions effective January 2, 2010. The following vacant positions are recommended to be unfunded: three Community Health Worker III, one Health Educator and three Public Health Nurse III, decreasing the Department's position allocation to 542 from positions.

SUMMARY

Overall, appropriations and estimated revenue for *A healthy community* departments are recommended to increase \$7,310,851 and \$7,290,159, respectively and result in the use of an additional \$20,692 of departmental fund balance. The additional projected revenue adjustments are from 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. Historically, the majority of funding for the County's Economic Development Bank budget has come from the County's General Fund. This funding was suspended as part of the balancing strategy for Fiscal Year 2009-2010.

DEPARTMENTAL EXPENDITURES

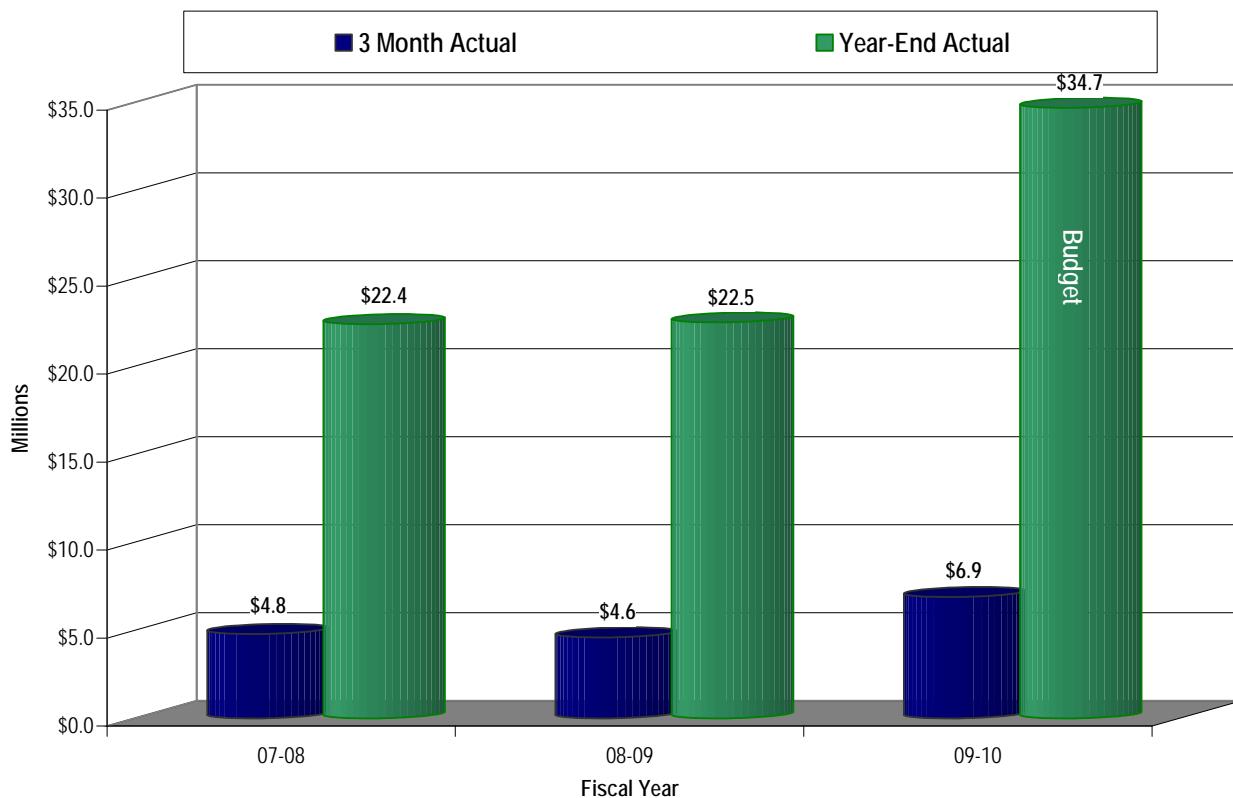
As of September 30, 2009, expenditures for the departmental budgets that are included in the Board of Supervisors priority area of *A strong local economy* are at \$6.9 million compared to \$4.6 million for the same time period one year ago. This amount represents 20% of the 2009-2010 adjusted budget. For the last two fiscal years expenditures at the end of the first quarter were 21.4% and 20.4% of the total annual expenditures, placing this year's expenditures below the norm.

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

- ◆ The Alliance Worknet Department received new grant funding in support of increased services for vocational training, paid internships, and supportive services to eligible youth, adults, dislocated workers and seniors. These program increases resulted in a \$2.4 million increase in expenditures; and
- ◆ In response to a decrease in sales tax revenue, the Library has made efforts to reduce expenditures by approximately \$108,800 compared to the same time one year ago.

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 Expenditure Three Year Comparison



DEPARTMENTAL REVENUE

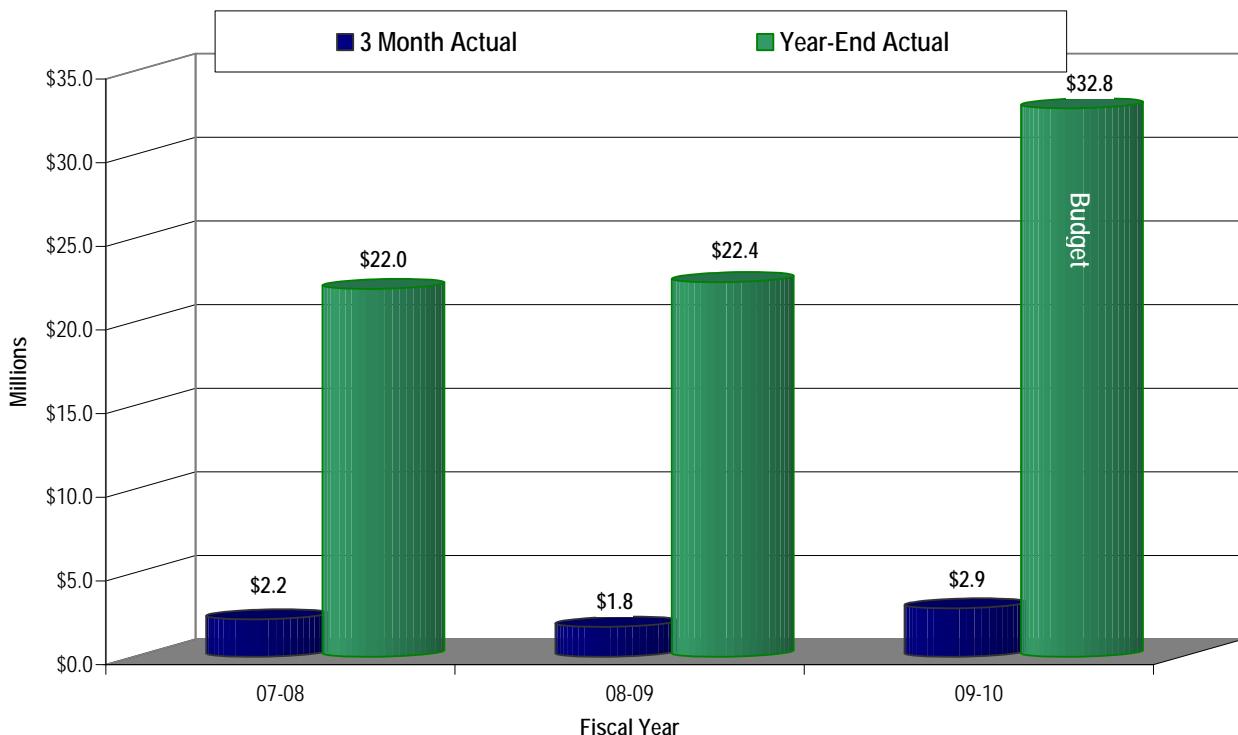
As of September 30, 2009, revenue for the departmental budgets in the Board of Supervisors priority area of *A strong local economy* are at \$2.9 million compared to \$1.8 million for the same time period one year ago. This amount represents 8.8% of the 2009-2010 adjusted budget. For the last two fiscal years collections at the end of the first quarter were 10% and 8% of the total annual revenue, placing this year's collections within the norm.

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

- ◆ The Alliance Worknet received \$1.4 million in new Federal and State grant funding. This grant funding included revenue from the American Recovery and Reinvestment Act (ARRA), Workforce Investment Act (WIA), and various grants in support of workforce development; and
- ◆ Sales tax is a significant revenue source for the Library. The Department has experienced approximately \$290,000 in decreased sales tax revenue over the same period last year.

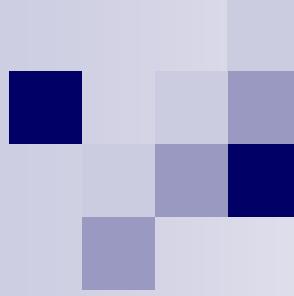
The following chart shows a three year period of departmental revenues, including the current year, for the departments assigned to the Board of Supervisors priority area of *A strong local economy*.

A strong local economy—Departmental Revenue Three Year Comparison



SUMMARY

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



A strong agricultural economy/heritage

COUNTY DEPARTMENTS

Agricultural Commissioner
Cooperative Extension

A strong agricultural economy/heritage

OVERVIEW

The Board of Supervisors priority area of *A strong agricultural economy/heritage* recognizes the vital role of the County's number one industry that generates close to \$2 billion a year 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 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 California State University system.

DEPARTMENTAL EXPENDITURES

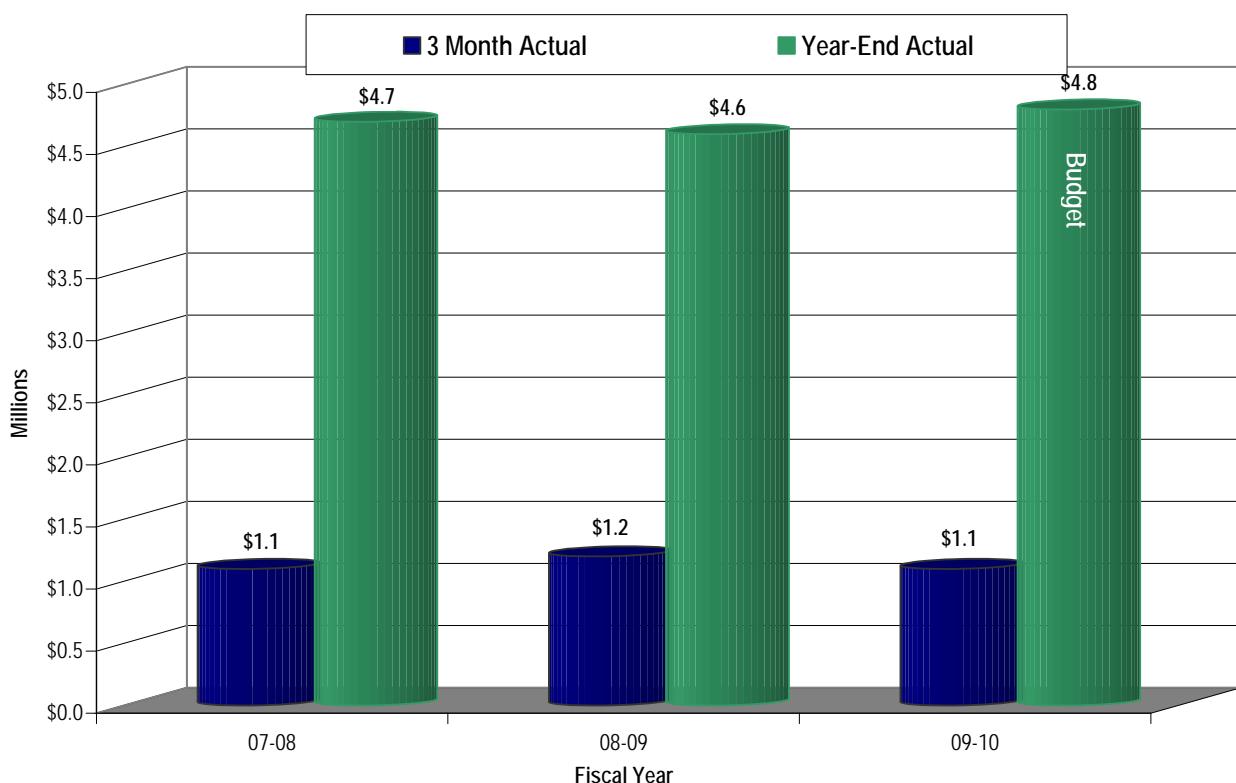
As of September 30, 2009, expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A strong agricultural economy/heritage* are at \$1.1 million compared to \$1.2 million for the same time period one year ago. This amount represents 22.9% of the 2009-2010 adjusted budget. For the last two fiscal years expenditures at the end of the first quarter were 23.4% and 26.1% of the total annual expenditures, placing this year's expenditures below the norm.

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

- ◆ The Agricultural Commissioner's Office Fiscal Year 2008-2009 purchase of replacement vehicles and equipment occurred earlier in the year resulting in a higher level of expenditure in the first quarter of approximately \$100,000.

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 Expenditure Three Year Comparison



DEPARTMENTAL REVENUE

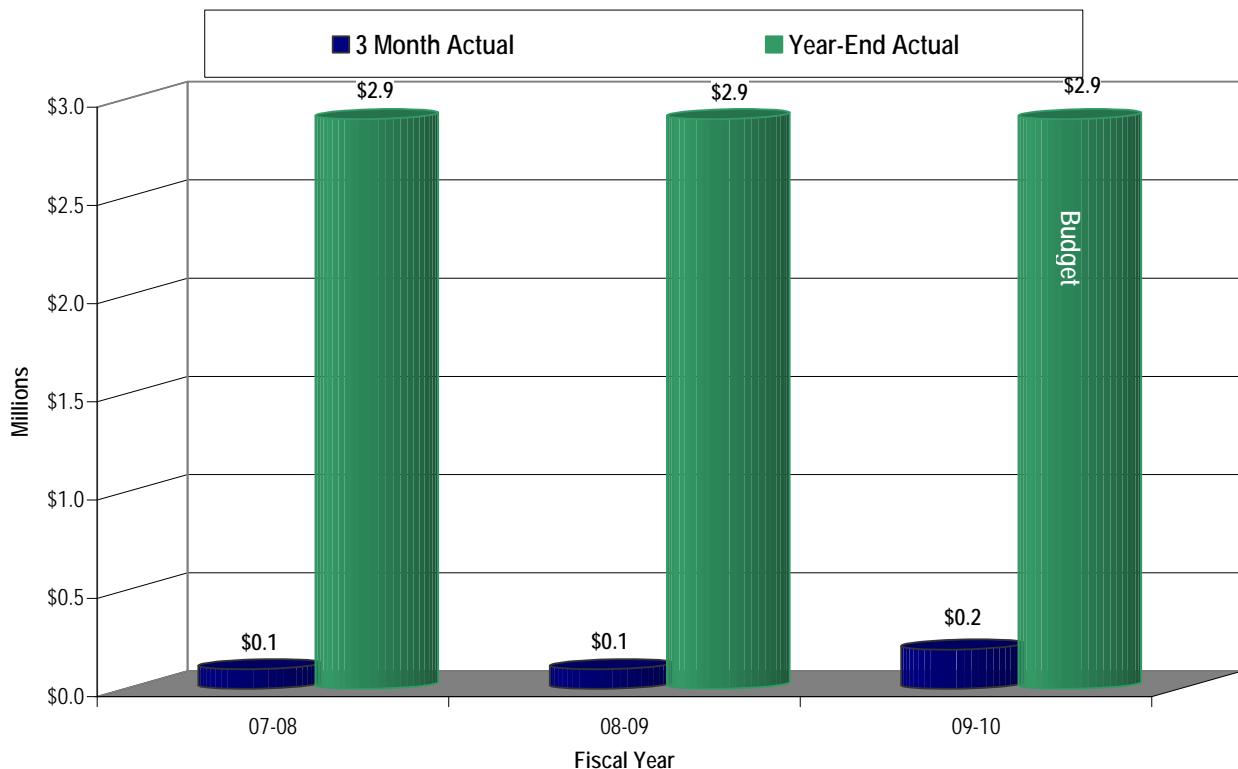
As of September 30, 2009, revenue for the departmental budgets that fall under the Board of Supervisors priority area of *A strong agricultural economy/heritage* are at \$183,000 compared to \$121,000 for the same time period one year ago. This amount represents 6.4% of the 2009-2010 adjusted budget. For the last two fiscal years collections at the end of the first quarter were 3.4% of the total annual revenue, placing this year's collections significantly above the norm.

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

- ♦ The Agricultural Commissioner's Office experienced an increase in agricultural plant quarantine certifications revenue resulting in an approximately \$62,000 increase in revenue over the previous 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



FIRST QUARTER ISSUES AND RECOMMENDATIONS

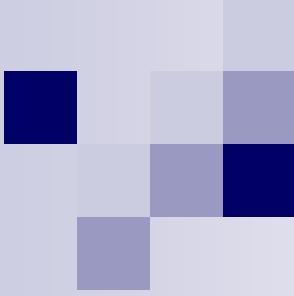
AGRICULTURAL COMMISSIONER'S OFFICE: The Agricultural Commissioner's Office oversees the use of pesticides applied in the production and storage of agricultural crops as well as performs inspections to see that equity prevails in the marketplace. These efforts are supported, in part, through funding from several State and Federal contracts. The Department submitted their Final Budget 2009-2010 using estimates for these contract amounts. The actual contract awards have since been received and the Department requests that appropriations be adjusted to reflect the contract amounts. Overall the Department anticipates a \$16,342 increase in expenditures and revenue as a result of actual contract amounts for Federal and State egg inspection, organic inspection, and pesticide application reporting.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Ag Commissioner	\$9,089	\$9,089	\$0	Increase Federal Egg Inspection Contract to reflect final award	
Ag Commissioner	\$1,224	\$1,224	\$0	Increase State Egg Inspection Contract to reflect final award	
Ag Commissioner	\$3,005	\$3,005	\$0	Increase Organic Inspection Contract to reflect final award	
Ag Commissioner	\$3,024	\$3,024	\$0	Increase Pesticide Application Reporting Contract to reflect final award	
Total	\$16,342	\$16,342	\$0		

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue by \$16,342 funded by State and Federal revenue for inspection and reporting services.

SUMMARY

Overall, appropriations and estimated revenue for the Board of Supervisors priority area of *A strong agricultural economy/heritage* are recommended to increase by \$16,342. The increased revenue and appropriations are a result of increased funding from State and Federal contracts.



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. The Stanislaus County Redevelopment Agency is also contained within this priority area. Environmental Resources and Planning and Community Development's Building Services Division are supported primarily through fees and charges for services that are provided. The General Fund primarily funds the Parks and Recreation Department and the 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. The Stanislaus County Redevelopment Agency is funded primarily through tax increment generated within the redevelopment project area(s).

DEPARTMENTAL EXPENDITURES

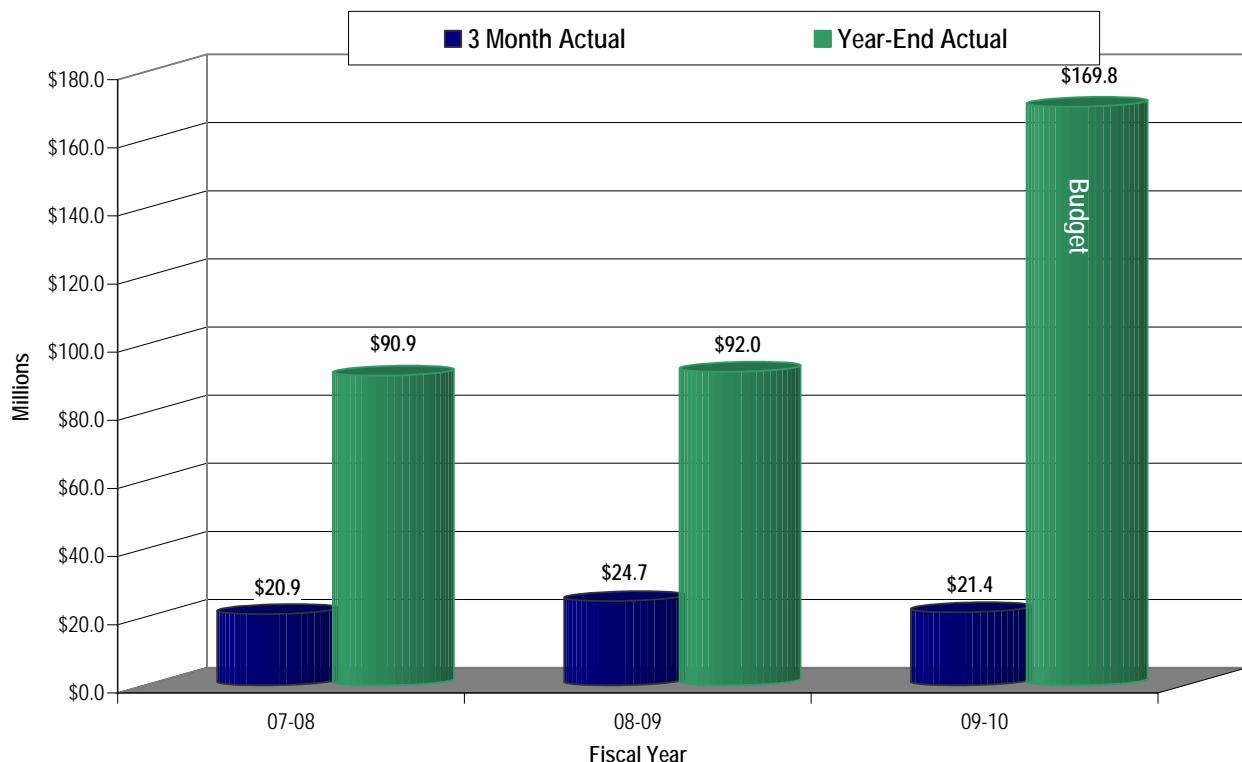
As of September 30, 2009, expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A well-planned infrastructure system* are at \$21.4 million compared to \$24.7 million for the same time period one year ago. This amount represents nearly 13% of the 2009-2010 adjusted budget. For the last two fiscal years expenditures at the end of the first quarter were 23% and 26.8% of the total annual expenditures, placing this year's expenditures significantly below the norm.

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

- ◆ The Department of Environmental Resources – Waste-to-Energy program expended only a marginal amount compared to \$8 million during the first quarter of the prior fiscal year in order to proceed with the early redemption of Series 2000 Refunding Revenue Certificates; and
- ◆ The Stanislaus County Redevelopment Agency expended \$6 million in the current fiscal year associated with the Keyes Improvement Project (Storm Drain System) construction project currently underway.

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 Expenditure Three Year Comparison



DEPARTMENTAL REVENUE

As of September 30, 2009, revenue for the departmental budgets that are part of the Board of Supervisors priority area of *A well-planned infrastructure system* is at \$9.9 million, compared to \$13.6 million one year ago. This amount represents 8.7% of the 2009-2010 adjusted budget. For the last two fiscal years collections at the end of the first quarter were 16% and 15% of the total annual revenue, placing this year's collections significantly below the norm.

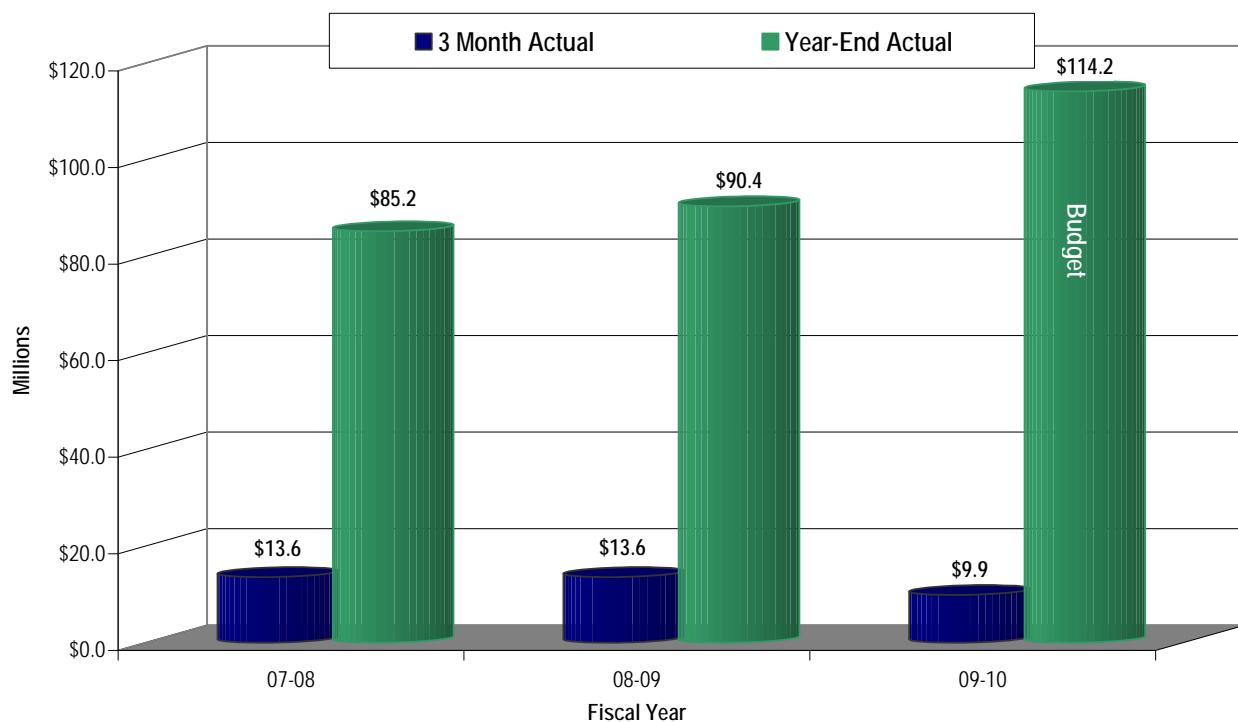
Some of the significant variations in departmental revenue this year, compared to the same time period one year ago include:

- ◆ The Department of Public Works - Road and Bridge was significantly impacted by approximately \$4.9 million due to the absence of State of California's Proposition 42 funds and Highway User's Tax (HUTA) receipts. Proposition 42 revenue receipts are typically received on a quarterly basis while HUTA is received monthly. Unfortunately, the State's 2009-2010 budget defers the HUTA for the months of July through September, and the first two quarters of Proposition 42 funds.

- ◆ The Department of Public Works - Local Transit program saw a significant decline of approximately \$590,000 in revenue receipts as compared to the first quarter of the prior year. In Fiscal Year 2008-2009, Local Transit had over \$1 million in revenue receipts associated with the newly negotiated contract for transit services within the Stanislaus Regional Transit (StaRT) program; and
- ◆ The Planning and Community Development Department Special Revenue Grants budget unit received a grant award from the Neighborhood Stabilization Program resulting in a \$1.5 million increase in revenue over the previous 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 well-planned infrastructure system*:

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



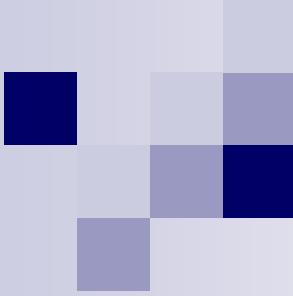
FIRST QUARTER ISSUES AND RECOMMENDATIONS

PUBLIC WORKS: The department has requested a classification study of two Transportation Project Coordinator positions. A classification study of these positions is recommended.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Public Works - Engineering				Classification study of two Transportation Project Coordinator positions	Study
Total					

SUMMARY

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



Efficient delivery of public services

COUNTY DEPARTMENTS

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

Efficient delivery of public services

OVERVIEW

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

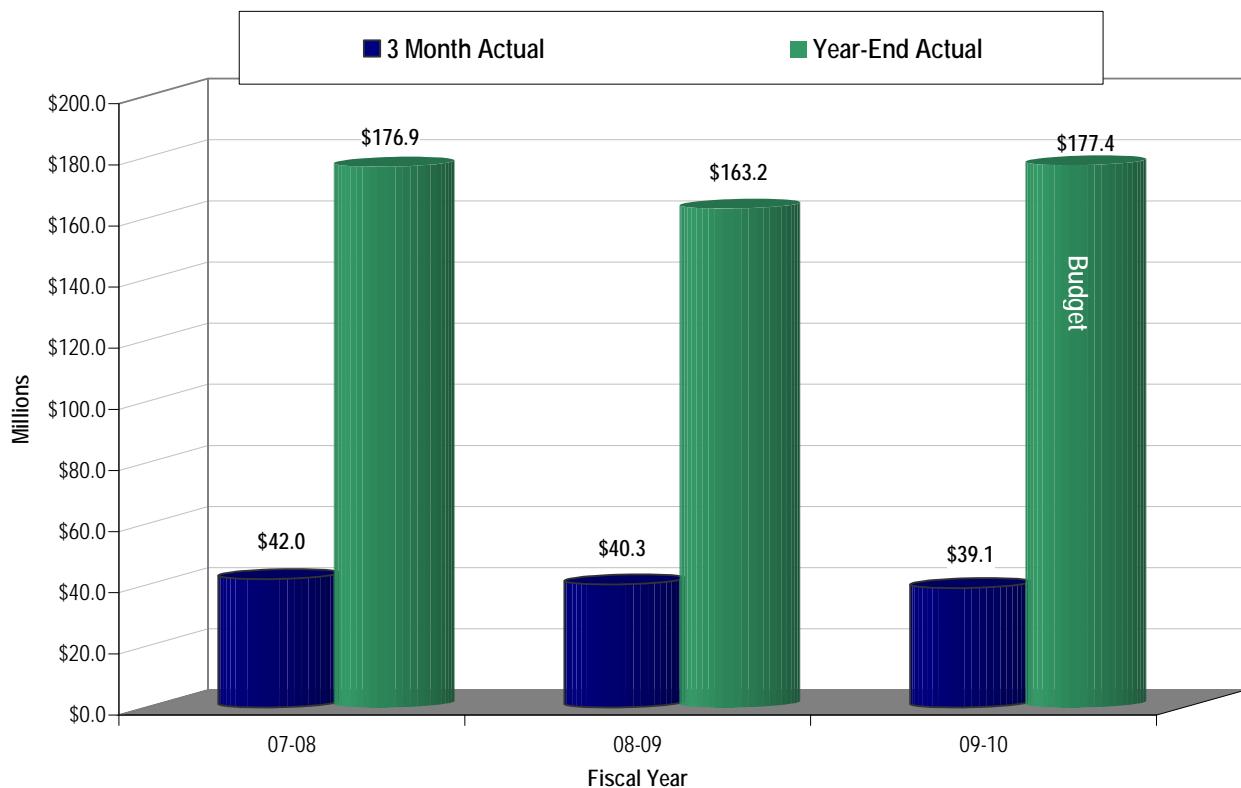
As of September 30, 2009, expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *Efficient delivery of public services* are at \$39.1 million compared to \$40.3 million for the same time period one year ago. This amount represents 22% of the 2009-2010 adjusted budget. For the last two fiscal years expenditures at the end of the first quarter were 23.7% and 24.7% of the total annual expenditures, placing this year's expenditures below the norm.

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

- ◆ A \$726,159 decrease in the Chief Executive Office – Risk Management Self-Insurance funds due primarily to decreased health insurance enrollment and a lag in timing of claims payments;
- ◆ A \$384,758 decrease in Chief Executive Office – General Fund Match and Support as a result of the 12% General Fund reduction to programs primarily funded by the State and Federal governments;
- ◆ An increase of \$113,519 in the Strategic Business Technology – Telecommunications budget due to the implementation of Voice over Internet Protocol projects;
- ◆ A \$112,399 decrease in Chief Executive Office – General Fund Match – Vehicle License Fee as a result of the decrease in revenue received that is apportioned to fund County health programs; and
- ◆ A decrease of \$80,261 in the Chief Executive – Operations and Services budget due to the timing of expenditures for contracted services.

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

Efficient delivery of public services—Departmental Expenditure Three Year Comparison



DEPARTMENTAL REVENUE

As of September 30, 2009, revenue for the departmental budgets that are a part of the Board of Supervisors priority area of *Efficient delivery of public services* are at \$22.8 million compared to \$25 million for the same time period one year ago. This amount represents 21% of the 2009-2010 adjusted budget. For the last two fiscal years collections at the end of the first quarter were 20.7% and 21.9% of the total annual revenue, placing this year's collections within the norm.

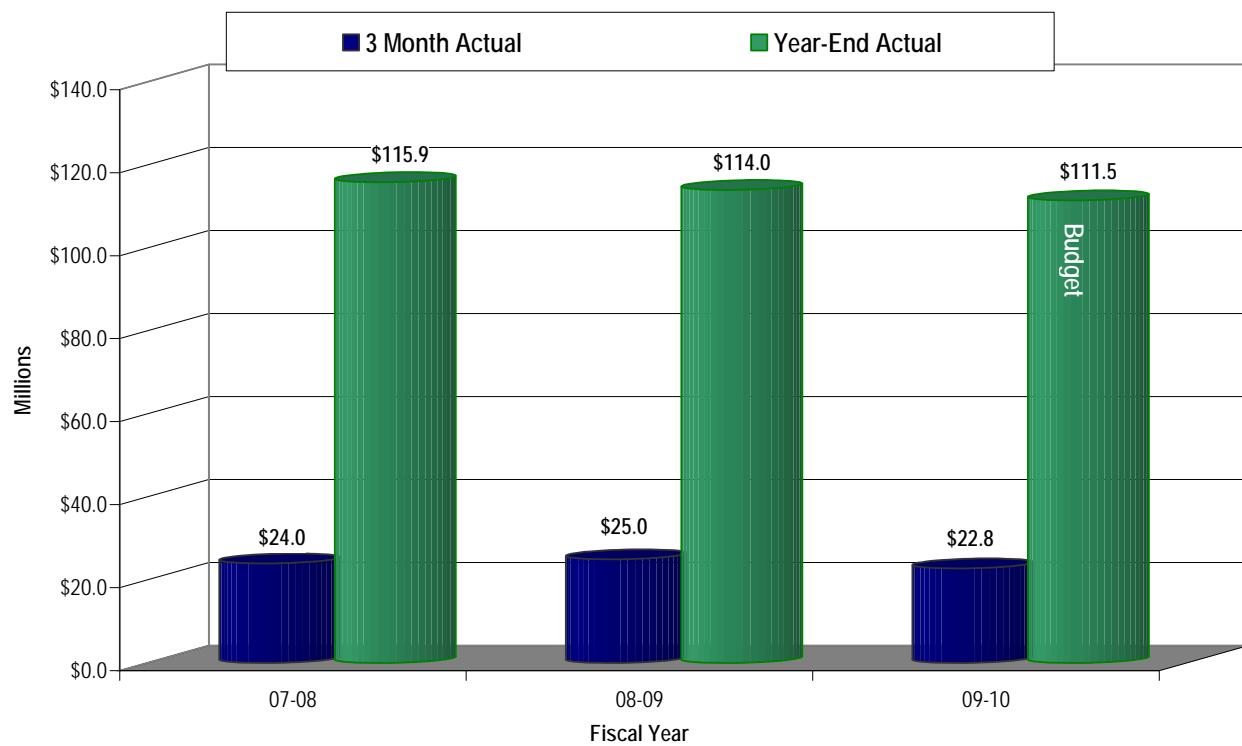
Some of the significant variations in departmental revenue this year, compared to the same time period one year ago include:

- ◆ A \$1.4 million decrease in Chief Executive Office – Risk Management Self-Insurance Funds as the result of departments not being charged for workers' compensation and unemployment insurance. Departments were charged \$90 per month for unemployment starting September 2009;

- ◆ A decrease in revenue of \$266,521 in the Chief Executive Office – Plant Acquisition budget due to one time interest earnings during last fiscal year from borrowing for professional services and project close out costs related to the project for the Gallo Center for the Arts;
- ◆ A \$190,093 decrease in the Chief Executive Office - Crows Landing Air Facility revenue due to a reimbursement payment received in the prior fiscal year from PCCP West Park LLP for legal expenses associated with the development project;
- ◆ A \$155,487 decrease in revenue in the General Services Agency – Fleet Services budget due to the decrease in demand for services; and
- ◆ A decrease in revenue of \$112,399 in Chief Executive – General Fund Match – Vehicle License Fee as a result of a reduction of vehicle sales due to the downturn in the economy.

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



FIRST QUARTER ISSUES AND RECOMMENDATIONS

BOARD OF SUPERVISORS – CLERK OF THE BOARD: As stated in the 2009-2010 Fiscal Year Proposed Budget, a review of the workload associated with the assessment appeals process would be completed as part of the First Quarter Financial Report. No additional funds are requested at this time for the Board of Supervisors – Clerk of the Board's budget. The fiscal implications of the changes to the assessment appeals process are still uncertain at this time.

On September 29, 2009, the Board of Supervisors approved the creation of an Assessment Hearing Officer. The Hearing Officer will assist in the resolution of the 2007 and 2008 Assessment Appeal applications that meet the Revenue & Taxation Code 1636 guidelines. An Assessment Hearing Officer may conduct hearings where all of the following apply: 1) The applicant is the assessee and has filed an application under R&T Code Section 1603; 2) the total assessed value of the property under consideration, as shown on the current assessment roll, does not exceed five hundred thousand dollars (\$500,000), or the property under consideration is a single-family dwelling, condominium or cooperative, or a multiple-family dwelling of four units or less regardless of value; and 3) the applicant has requested that the hearing be held before an assessment hearing officer.

The Clerk of the Board of Supervisors anticipates that the new Assessment Hearing Officer will hold meetings one to two times per month until the number of applications are resolved for this calendar year and for the future. The cost of these meetings will depend upon how many meetings are conducted and if they are half or full day meetings. At a minimum the Clerk of the Board will be able to absorb the first \$675 of the cost of the Hearing Officer which is a half day, one time per month.

The cost for the Assessment Appeals Board (AAB) is currently within the budgeted funding level. This account will stay within the budgeted level if the remainder of the AAB meetings are half day meetings. If the meetings become full day meetings then additional funding will be requested.

An additional issue identified in the 2009-2010 Final Budget report was the need for a full-time Confidential Assistant position that is currently funded at 20 hours per week. The AAB workload has increased due to the Assessor's decision not to participate in the AAB process at the same level as in previous years. The Clerk of the Board previously allocated 75% of one Confidential Assistant IV position for the AAB mandated processes. Currently, the assessment appeals process utilizes one full-time Confidential Assistant IV position, 30%-60% of a Manager I position and 5 to 15 hours weekly of a Board of Supervisor's Field Representative position. The increased workload does not take into account the additional work the new Assessment Hearing Officer will create. The Hearing Officer will create additional meetings that the Clerk of the Board staff will administer including the scheduling and clerk activities related to the hearings, creating and processing the minutes and other post meeting procedures.

It should be noted that the Clerk of the Board staff has done an exceptional job in learning all of the assessment appeals processes and taking on the additional workload and staff assistance has been provided from the Chief Executive Office as well. The Chief Executive Office will continue to monitor the fiscal impact of the assessment appeals process.

Below is a chart that shows the number of appeals that have been received and by when they must be resolved or scheduled for a hearing:

Assessment Appeal Applications	2006-2007 Roll Year (Filed in 2006*)	2007-2008 Roll Year (Filed in 2007*)	2008-2009 Roll Year (Filed in 2008*)	2009-2010 Roll Year (Filed in 2009* as of 10/15/09. Filing period ends 11/30/09)
Commercial/Industrial, Business, Farm, etc.	266	266	279	99
Residential	35	1,274	411	81
Total Appeals Received	301	1,540	690	180
Appeals left to be resolved	0	490	690	180
Appeals received July 1, 2009 – September 30, 2009	43	115	81	160
**Year appeal must be heard in calendar year:	2008	2009	2010	2011

**Supplemental Appeal applications are filed throughout the year. Supplemental Appeal applications equate to less than 5% of all the appeals filed.*

***All Assessment Appeal applications must be heard within two years of receiving the application or the applicant's opinion market value is entered in as the assessed value of the property. Revenue and Taxation Code Section 1604(c). There is a potential fiscal exposure to the County if the appeals are not heard within the two year deadline.*

CHIEF EXECUTIVE OFFICE – RISK MANAGEMENT DIVISION GENERAL LIABILITY SELF-INSURANCE: After reviewing all open and potential claims against the County, the Risk Management Division has projected that the General Liability Self-Insurance Budget for Fiscal Year 2009-2010 does not have sufficient funding. As a result, the Division is requesting an appropriations increase of \$1,184,096 to fund attorney fees and settlement costs, bringing the total budget to \$4,701,324. These appropriations will be offset by \$1,021,450 in estimated revenue and \$162,646 in retained earnings.

The County has a self-insured retention of \$250,000 per litigated case. The self-insured retention is similar to a deductible in personal insurance in that this is the maximum out of pocket cost per case. However, it does differ in that the full cost must be paid upfront by the County, and then can be reimbursed by the California State Association of Counties Excess Insurance Authority (CSAC-EIA) for costs in excess of the \$250,000 retention. The \$1,021,450 in revenue is estimated to be reimbursed from CSAC-EIA for these cases.

Included in the Fiscal Year 2009-2010 Final Budget was the use of nearly \$500,000 in retained earnings to balance this budget. This was done in order to partially subsidize departmental charges this fiscal year. The use of an additional \$162,646 in retained earnings at first quarter will completely deplete the fund's retained earnings balance at year-end. If final costs for these cases are in excess of the estimated budget,

the fund's retained earnings could end in a deficit position without corrective action. This exposure will continue to be closely monitored and recommendations will be made to ensure a positive fiscal position for this fund.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
General Liability Self Insurance	\$1,184,096	\$1,021,450	\$162,646	Funds needed for attorney fees and settlements	
Total	\$1,184,096	\$1,021,450	\$162,646		

Summary of Recommendations: It is recommended to increase appropriations by \$1,184,096 and estimated revenue by \$1,021,450, funded by using approximately \$162,646 in retained earnings.

SUMMARY

Overall, for the Board of Supervisors priority area programs of *Efficient delivery of public services* appropriations and estimated revenue are recommended to increase by \$1,184,096 and \$1,021,450 respectfully resulting in the use of \$162,646 in retained earnings.