First Quarter Financial Report
July — September 2010

BOARD OF SUPERVISORS

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Introduction

This is the Chief Executive Office's First Quarter Financial Report for the period of July 2010-September 2010 for the 2010-2011 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 2010.

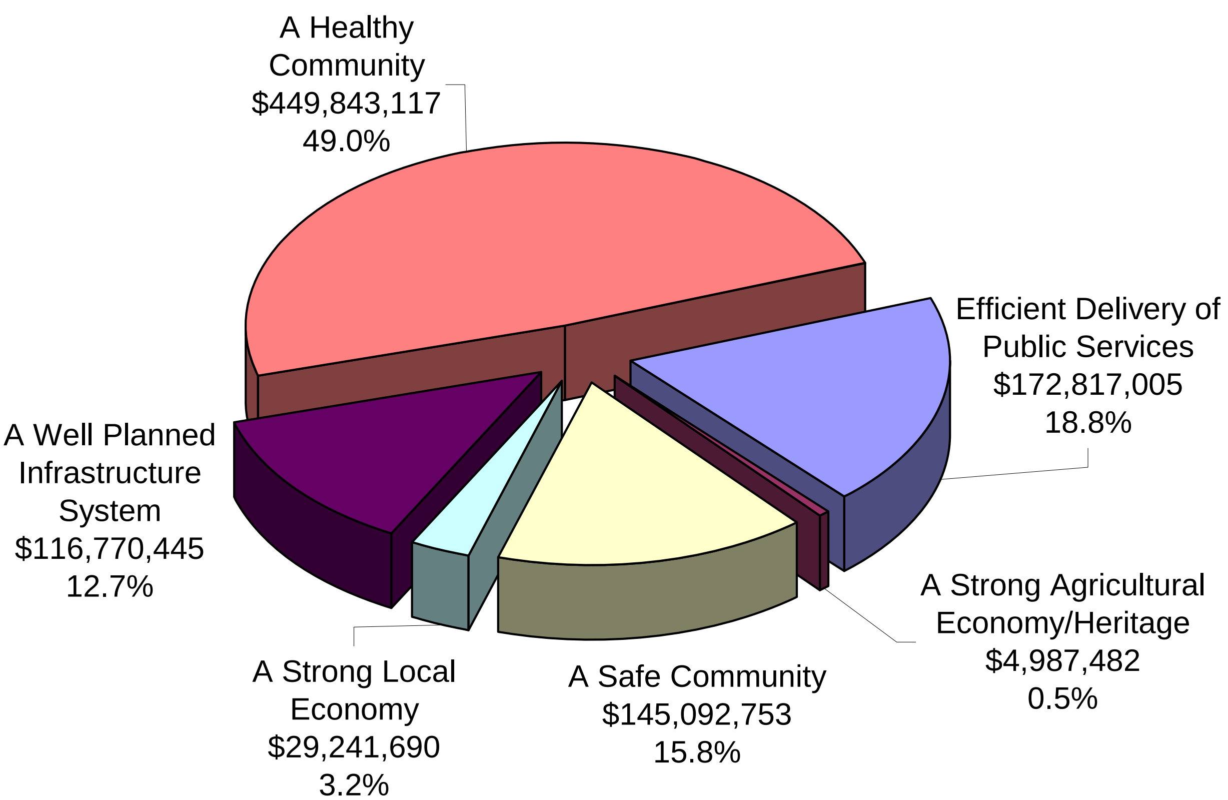
Summary

On September 14, 2010 the Board of Supervisors adopted the Fiscal Year 2010-2011 Final Budget for Stanislaus County. This spending plan of $918,752,492 for all funds reflected an increase of $6,361,533 or a 1% increase over the 2010-2011 Adopted Proposed Budget and a 4% decrease from the 2009-2010 Adopted Final Budget. The Adopted Final Budget was balanced and used a combination of $878,533,421 in revenue and $40,219,071 in fund balance and one-time funding sources. The General Fund, as of July 1, 2010, reflected a committed fund balance of $15,438,282 and an assigned fund balance of $37,861,048.

The County's 2010-2011 General Fund budget totaled $237,011,466, an increase of $21,010 from the Adopted Proposed Budget adopted in June 2010 and a 5% decrease from the 2009-2010 Adopted Final Budget. The Adopted Final Budget for Fiscal Year 2010-2011 includes $4.6 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 2010-2011
Adopted Final Budget Expenditures - By Board Priority
$918,752,492



BUDGET OVERVIEW

Summary of Adopted Final Budget

The Adopted Final Budget approved on September 14, 2010 totaled $918.8 million, and reflected a decrease of approximately 4.1 percent for all funds as compared to the 2009-2010 Adopted Final Budget of $958 million. The General Fund totaled $237 million, which was down 5.2 percent from the 2009-2010 Adopted Final Budget of $249.9 million. Discretionary revenue was reduced by $2.5 million in the Final Budget Addendum due to a reduction in Property Taxes, Property Tax In-lieu of VLF, Penalties on Delinquent Taxes, Interest Earnings, and Miscellaneous Revenue Categories.

Included in departmental recommendations was the use of $340,728 in 2009-2010 General Fund fund balance for departments' 75% carry over appropriations. At the close of Fiscal Year 2009-2010, $4.9 million was carried forward for this purpose using existing unexpended departmental appropriations. However, because some departments realized their net county cost savings by bringing in excess revenue in 2009-2010, a recommendation was included in the Final Budget Addendum to increase 2010-2011 departmental appropriations by the amount of the additional revenue. The total fund balance set aside for the 75% General Fund Carry over Appropriations was $5.2 million.

The major changes from the 2010-2011 Proposed Budget to the 2010-2011 Final Budget by Board of Supervisors' priority are listed below.

A Safe Community - an overall increase in appropriations and estimated revenue of $57,152 and $66,533 respectively, to fund a Voice-Over Internet Protocol (VOIP) project in the Chief Executive Office – Office of Emergency Services Division, to fund a community needs assessment for the Sierra Health Foundation's Girl's Juvenile Justice Initiative, and for the Public Defender to fund a one-time Habeus Corpus case to be reimbursed by the State.

A Healthy Community - an overall increase in appropriations and estimated revenue of $1,002,533 and $791,860, respectively, funded by $210,673 of departmental fund balance. An increase of $791,860 was approved for the transfer of the Multipurpose Senior Services Program (MSSP) from the Community Services Agency (CSA) to the Area Agency on Aging (AAA) and for AAA to enroll seniors throughout Stanislaus County in Medicare Part D. An increase of $210,673 was approved for the Health Services Agency Indigent Health Care Program (IHCP) Emergency Medical Services Fund for physicians and hospitals for uncompensated emergency services to be funded from departmental fund balance savings from Maddy Funds dedicated for these purposes.

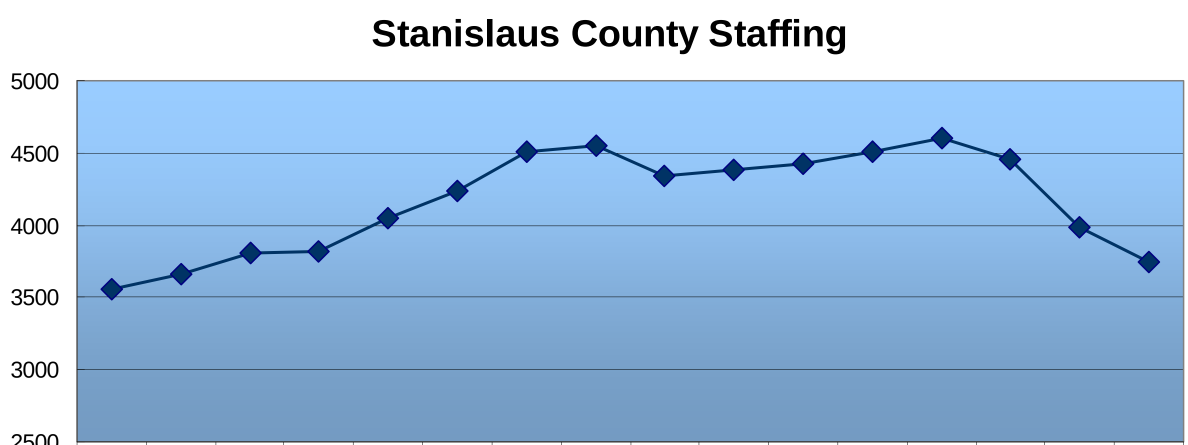
A Strong Local Economy - an overall increase in appropriations and estimated revenue of $2,877,059 for the Alliance Worknet as a result of additional Federal grant funding to provide vocational training, on-the-job training, paid internships, and supportive services to eligible youth, adults, dislocated workers, and seniors.

A Strong Agricultural Economy - an overall increase in appropriations of $98,468 as a result of net county cost savings from increased departmental revenue from Fiscal Year 2009-2010.

A Well Planned Infrastructure System - an overall increase in appropriations and estimated revenue of $2,523,698 and $2,390,285 respectively, funded by $133,413 of fund balance/retained earnings. Two departments, Parks and Recreation and Planning and Community Development, increased their appropriations as a result of their net county cost savings from increased departmental revenue from Fiscal Year 2009-2010. A technical adjustment of $1.5 million was recommended for the Planning and Community Development Special Revenue Grants to reconcile accounts within the various Community Development Block Grant (CDBG) programs. The Fink Road Landfill budget was increased by $30,000 to fund unanticipated costs related to negotiating a long-term solar project agreement, and the Public Works – Morgan Shop budget was increased by nearly $1 million to purchase heavy duty alternate energy vehicles that are funded through the Congestion Mitigation and Air Quality Improvement Program (CMAQ).

Efficient Delivery of Public Services - an overall decrease in appropriations and corresponding reliance on General Fund fund balance of $197,377. Two departments, Assessor and Treasurer-Tax Collector, increased their appropriations as a result of their net county cost savings from increased departmental revenue from Fiscal Year 2009-2010. The Chief Executive Office – General Fund Contributions to Other Programs budget was reduced overall due to the reduction in interest from the Tobacco Endowment Fund that was eligible to fund the Health Services Agency's deficit repayment.

Staffing - the Adopted Proposed Budget included funding for 3,762 allocated full-time positions, including the deletion of six filled positions that resulted in a reduction-in-force action and twenty vacant positions, restored two previously deleted filled positions saving two reduction-in-force actions, restored 29 unfunded vacant positions, and unfunded 29 vacant positions. The Adopted Final Budget included two reductions-in-force, unfunded nine vacant positions, and deleted two vacant positions, primarily as a result of reductions in funding. Also included was the deletion of nine vacant positions as part of the Retirement Incentive Program, and thirty-three previously vacant unfunded positions were deleted. The Adopted Final Budget also added one new position, restored funding to two unfunded positions, reclassified downward three positions, and conducted a classification study of one position. The allocated, funded full-time positions in the Adopted Final Budget were 3,746, down 244 positions from the 2009-2010 Adopted Final Budget.



	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Staffing	3554	3659	3808	3814	4044	4236	4510	4550	4346	4379	4429	4509	4603	4459	3990	3746

2010–2011 FIRST QUARTER OVERVIEW

Overall Summary of Requested First Quarter Adjustments

The 2010-2011 First Quarter Financial Report reflects recommended adjustments and a fiscal review of department budgets. Departments requested decreases of $31,370 in total adjustments in the current year spending plan. There were no requests for additional General Fund. The Chief Executive Office recommends approval of all requested first quarter adjustments as they are funded by Non-General Fund sources. The recommendations further decrease estimated revenue by $108,552, resulting in an increase in the use of departmental fund balance of $53,000, and retained earnings of $24,182.

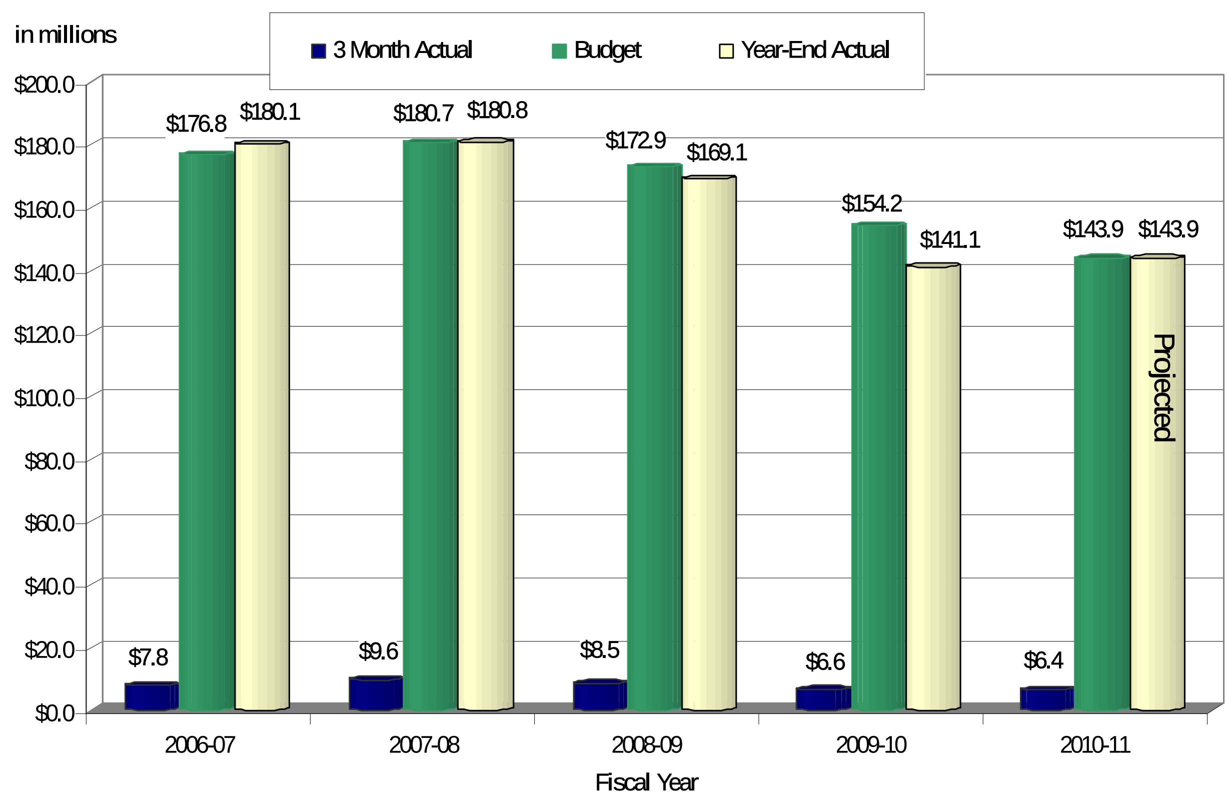
The recommended changes are primarily within the Chief Executive Office (CEO)-Criminal Justice Facilities Fund and the General Services Agency. In the CEO-Criminal Justice Facilities Fund, it is recommended to increase appropriations $53,000 to fund six months of the Salida Substation Lease costs funded by departmental fund balance. This funding would be tied to the actual start of the Day Reporting Center, a collaboration between the Sheriff's Department and Probation Department, which will begin on or around January 1, 2011. The funding currently obligated by the Sheriff's Office for this lease would be available for other purposes at the Sheriff's discretion.

In the General Services Agency, the Department is requesting approval to implement a restructuring of the Central Services Division. The restructuring will include the elimination of Print Services as a support function provided to County departments effective December 31, 2010 due to continuing increases to cost of service, a growing cost disparity with private vendor outsourcing, and a lack of county departmental support and demand for this non-core function. The Department is also requesting approval to implement an Electronic Data Management (EDM) Program as a new core function of the Warehouse/Salvage Unit. Approval of these recommendations will result in a decrease in appropriations and estimated revenue by $50,033 and $74,215 respectively, along with an increase in the use of retained earnings of $24,182 to purchase or lease equipment necessary for the document scanning and archival services.

DISCRETIONARY REVENUE

As of first quarter, actual discretionary revenue was $6.4 million compared to $6.6 million for the same period one year ago. This amount represents 4.4% of the 2010-2011 Final Adopted budget. Typically, discretionary revenue at this point of the fiscal year ranges from 4.3% to 5.3% of the total amount budgeted and of the total year actual collections when looking at the prior four years. Since we are within the range when comparing to budget and to actual year-end collections, no changes are recommended to the current discretionary revenue budget. The following chart shows the last five years of first quarter activity:

General Fund—Discretionary Revenue Five Year Comparison



A close watch will be kept on this revenue source and changes will be made as necessary with the Mid-Year Report in March 2011. The factors used in the apportionment of secured property taxes should be determined by December and adjustments to the estimated property tax revenue may be in order. Additionally, 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 can 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.

LOOKING AHEAD

As discussed in the 2010-2011 Final Adopted Budget, the County faces a number of challenges in the coming fiscal years.

2011-2012 Budget Strategy

Stanislaus County developed a 30-month strategy beginning Mid-Year 2009-2010 to provide time for the County Government organization to restructure, to allow for the alignment of revenue and expenditures given the significant reductions in revenue available to the County. It is clear that the challenges to the County will continue well beyond the initial 30-month period, as indicated by the current projected General Fund shortfall of $16.9 million for Budget Year 2011-2012.

For the past several months, the Chief Executive Office Senior Leadership Team has been focused on identifying strategies and solutions that will allow the County to maintain a balanced budget while preserving the programs most critical to the community. This includes the development of strategic budget targets for Budget Year 2011-2012. The General Fund Targeted Reduction Strategy is based on core assumptions that include:

- Discretionary revenue projected to remain flat from the low level in Fiscal Year 2010-2011;
- Retirement costs projected to increase by $14.6 million in the General Fund;
- Workers' Compensation costs projected increase of $1.9 million in the General Fund;
- Health insurance costs projected to remain flat for January 2011;
- Final use of $8 million in committed fund balance for a total of $24 million in one-time funding; and
- Critical reliance on $6.3 million for the General Fund (over $12 million for all funds) in retirement cost increase mitigation from the Stanislaus County Employees Retirement Association (StanCERA) to provide the County the ability to address the two years of remaining Pension Obligation Bond (POB) debt payments for the General Fund by using Teeter Plan assigned fund balance until savings are realized in Budget Year 2014-2015 rom the POB pay-off.

The following table illustrates the projected deficits for the General Fund through Budget Year 2014-2015. The major difference between the two scenarios demonstrates the benefit the County receives in its fiscal recovery due to StanCERA's partial mitigation of retirement costs in Budget Year 2011-2012.

Proposed Use of One-Time Funding

Summary with StanCERA Contribution

	11/12	12/13	13/14	14/15
General Fund "Issued Base"	$ 172,502,661	$ 160,373,000	$ 153,303,000	$ 153,303,000
Discr Rev	$ (144,103,000)	$ (144,103,000)	$ (144,103,000)	$ (144,103,000)
One-time	$ (8,000,000)	$ -	$ -	$ -
Fund Balance	$ -	$ -	$ -	$ -
Retirement Assignment	$ -	$ -	$ -	$ (2,000,000)
POB Savings in 14/15				$ (6,200,000)
StanCERA Contribution	$ (6,270,000)	$ -	$ -	$ -
Teeter Assignment	$ -	$ (9,200,000)	$ (9,200,000)	$ -
Total Resources	$ (158,373,000)	$ (153,303,000)	$ (153,303,000)	$ (152,303,000)
Addnl Reductions Needed	$ (14,129,661)	$ (7,070,000)	$ -	$ (1,000,000)
Reductions	$ (14,129,661)	$ (7,070,000)	$ -	$ (1,000,000)
Annual Impact	$ (14,129,661)	$ (21,199,661)	$ (21,199,661)	$ (22,199,661)

Summary without StanCERA Contribution

	11/12	12/13	13/14	14/15
General Fund "Issued Base"	$ 172,502,661	$ 160,373,000	$ 152,303,000	$ 150,303,000
Discr Rev	$ (144,103,000)	$ (144,103,000)	$ (144,103,000)	$ (144,103,000)
One-time	$ (8,000,000)	$ -	$ -	$ -
Fund Balance	$ -	$ -	$ -	$ -
Retirement Assignment	$ -	$ (2,000,000)	$ -	$ -
POB Savings in 14/15				$ (6,200,000)
NO StanCERA Contribution	$ -	$ -	$ -	$ -
Teeter Assignment	$ (6,270,000)	$ (6,200,000)	$ (5,930,000)	$ -
Total Resources	$ (158,373,000)	$ (152,303,000)	$ (150,033,000)	$ (150,303,000)
Addnl Reductions Needed	$ (14,129,661)	$ (8,070,000)	$ (2,270,000)	$ -
Reductions	$ (14,129,661)	$ (8,070,000)	$ (2,000,000)	
Annual Impact	$ (14,129,661)	$ (22,199,661)	$ (24,199,661)	$ (24,199,661)

$34.6 million one-time funding to offset program reductions

Department Heads were provided with preliminary reduction targets during the October 2010 Department Head meeting in order to provide as much time as possible for the development of department-specific solutions and strategies to eliminate the current structural shortfall. Several strategies/tools from Fiscal Year 2009-2010 and 2010-2011 will continue in the future, including the continuation of the 5% across-the-board pay reduction through Budget Year 2011-2012, the no back-fill policy for State Budget reductions, and the ability for General Fund departments to carry over 75% of their net county cost savings at June 20, 2011. We expect several departments will present recommendations as part of the 2010-2011 Mid Year financial report to reduce programs and costs. The Mid Year financial report will be presented to the Board of Supervisors on March 1, 2011

Retirement Rates Cost Exposures

In 2010-2011, the Stanislaus County Employee Retirement Association (StanCERA) took action to mitigate proposed retirement rate increases that saved budget resources throughout the County. While these actions were instrumental in lowering retirement costs in Fiscal Year 2010-2011, an even larger exposure remains with projected retirement rate increases in Fiscal Year 2011-2012, resulting in a reduced workforce and loss of programs.

The Board of Supervisors has approved a modification of retirement benefits for unrepresented employees hired after December 31, 2010 to the former Tier Two retirement benefit structure in place prior to March 2002 (reduced benefit formula; 2% at age 61 for miscellaneous employees and 2% at age 50 for safety employees). Over the last six months, the County has negotiated the modification of the retirement benefits for employees hired after December 31, 2010 with six of the twelve county labor organizations. The County is in the process of negotiating the change with the remaining county labor organizations. The recommended changes to retirement benefits with future employees will have a significant long-term financial benefit to the County however, they will not provide any cost relief in the short term.

Labor Relations

In April 2010, the County reached agreements with the 12 County labor organizations supporting across-the-board 5% salary cost reductions for County employees over the next two fiscal years, 2010-2011 and 2011-2012. During the cost reduction negotiations, the County reached agreements with the Stanislaus Sworn Deputy Association and Sheriff Management Association to extend the expiration of their current Memorandums of Understanding (MOU). Additionally, the County has been able to reach new agreements with the Sheriff's Supervisor Association, District Attorney Investigators' Association, Deputy Sheriffs' Association, Service Employees International Union and Deputy Probation Officers' Association. These contracts are all scheduled to expire June 30, 2012, which coincides with the 5% salary cost reduction agreements. The County is currently in negations with the County Attorney's Association, Stanislaus Regional Emergency Dispatch Association and with Stanislaus County's Group Supervisor Association. Below is a schedule by bargaining unit of contract expiration dates:

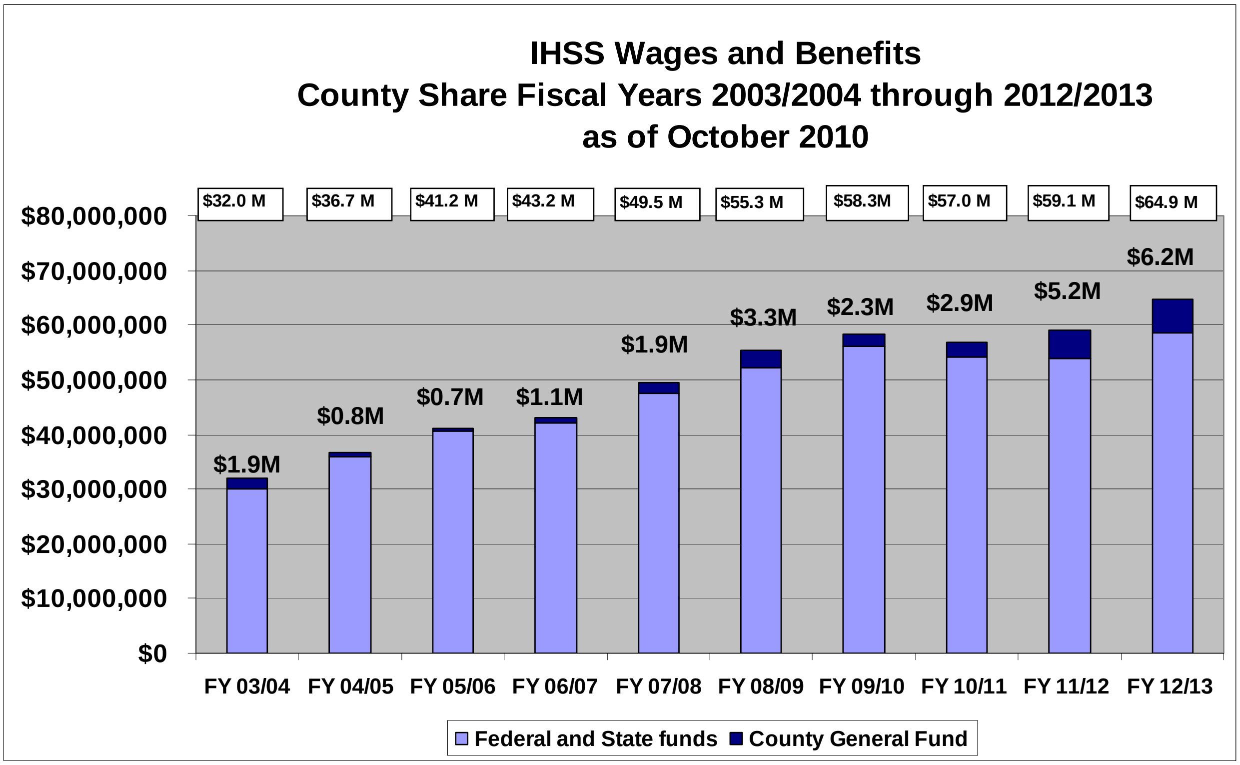
Bargaining Unit	Allocated Positions	Percent of Workforce	Contract Expiration Date
County Attorney's Association	69	1.8%	6/30/2010
Emergency Dispatchers Association	41	1.1%	6/30/2010
Group Supervisor's Association	82	2.2%	12/31/2010
California Nurses' Association	89	2.4%	2/28/2011
Stanislaus County Employees Association, (AFSCME) Local 10	1,993	53.2%	5/31/2011
Deputy Probation Officers	96	2.6%	6/30/2012
District Attorney Investigators	13	0.3%	6/30/2012
Deputy Sheriff's Association - Custodial	201	5.4%	6/30/2012
Service Employees' International Union, (SEIU) Local 521	571	15.1%	6/30/2012
Sheriff's Management Association	15	0.4%	6/30/2012
Sheriff Supervisor's Association	26	0.7%	6/30/2012
Stanislaus Sworn Deputy Sheriff's Association	160	4.3%	6/30/2012
Unrepresented	390	10.4%	N/A
Total	3,746	100%	

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).

Health and Human Services

Significant challenges remain in the area of health and human services. The State Budget for 2010-2011 was signed by the Governor on October 2, 2010 – 100 days late, and included reductions of almost $100 million from line-item vetoes. Departments are analyzing the budget and numerous trailer bills to determine what, if any, impact may result locally and will return to the Board for authority to take any necessary actions to implement the State Budget impacts.

Significant exposures exist in the In-Home Supportive Services (IHSS) program. The IHSS program has experienced growth in size and cost while available dollars to fund the program are shrinking. The County does not have the discretion to discontinue the program, nor can the County reduce services to eligible customers per program regulations. The 2010-2011 Adopted Final Budget did not fully fund the IHSS individual provider wages and benefits for 2010-2011, and anticipated an exposure of $1.3 million to the County's General Fund. At this time, as a result of decreased caseload growth and a State-mandated 3.6% reduction in hours, the exposure to the General Fund has decreased to $897,975. Additionally, the Community Services Agency fund balance of $554,530 was created after year-end close from higher than anticipated August realignment revenue and can further reduce the General Fund exposure to $343,445 in the current year. It is projected that the IHSS program will have a General Fund shortfall of $3.2 million in Budget Year 2011-2012, due to the expiration of the Federal Medicaid Assistance Percentage (FMAP) on June 30, 2011.



For the past several years, the IHSS program has been one of the fastest-growing programs in terms of General Fund contributions. Although recent months' actual caseloads indicate a slowing of growth, it is too soon to project an overall decrease in program costs. Finally, labor negotiations are ongoing between the IHSS Public Authority and the United Domestic Workers of America, as the existing Memorandum of Understanding expired on September 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, 2010. The County currently spends approximately $45.5 million annually for medical insurance coverage and $5.1 million annually on dental and vision benefit plans for all County employees, for a total cost of approximately $50.6 million. Approximately 35% of these costs are paid by General Fund departments.

Medical insurance rates are scheduled to increase in January 2011 based on renewal rates from each insurance carrier. Kaiser health plans will increase 8% and Anthem Blue Cross plans are increasing 16%. The County has negotiated a new tentative agreement with labor groups to address the pending rate increases. The new agreement implements premium cost sharing at all levels of coverage in all medical, dental and vision plans. The agreement includes offering employees a choice to enroll in a traditional HMO plan or a high deductible Health Savings Account (HSA) plan option for both Kaiser and Anthem Blue Cross. The agreement provides a higher level of funding for those employees electing HSA plan options and a lower level of funding for employees selecting HMO plan options. This funding strategy was developed with County labor groups in an effort to increase participation in the HSA plans and ultimately decrease plan utilization where appropriate.

Currently 95% of County employees are enrolled in HMO plan options and 5% in HSA plan options. Should 53% of County employees move from the HMO plan options to HSA plan options, the County's overall health insurance costs will remain flat in 2011. Increasing HSA plan enrollment over 53% may result in a short term cost increase based on the negotiated funding agreement, but will also have a positive affect on the long term decreased utilization of plan benefits and ultimately reduce the County's benefit cost exposure. The final results of open enrollment selections and the resulting fiscal impact of this agreement will be reported in the Fiscal Year 2010-2011 Mid-Year Financial Report.

General Liability

The liability adjustment for the Chief Executive Office - Risk Management Division General Liability Self-Insurance Fund as of June 30, 2010 resulted in the retained earnings balance in this fund ending the year in a deficit position of over $2.2 million. The liability as of June 30, 2010 increased by over $2.8 million from the value as of June 30, 2009. This was primarily due to case reserves being increased to more accurately reflect the liability of the current and future cases in the areas of general and auto liability. There will be no change to departmental charges in the current year, but a multi-year strategy will be presented for Board of Supervisors' approval in the Mid-Year Financial Report to address this funding deficit.

State Budget Update

When legislators passed a budget 100 days late (the latest in California history), that is already out of balance, and then celebrate their effort as a "historic moment" in California history, you know somehow their touch with reality has been lost.

The Final State Budget was balanced with $5.4 billion in "assumed" new federal money (little of which has actually been approved by Congress), and $2.7 billion in one-time loans, transfers and funding shifts. This includes classic strategies such as expenses that are "assumed" in the budget, and then actually won't be paid out until the 2011-2012 Fiscal Year. The governor blue-penciled nearly one billion dollars in cuts. Leadership in Sacramento has vowed to restore about $500 million of the cuts after a new governor and legislature are sworn in.

Some in Sacramento are stating the budget is already $10-12 billion out of balance for 2011-2012. The nonpartisan Legislative Analyst Office has estimated that well over two-thirds of the 2010-2011 budget solutions are one-time or temporary in nature. The following include some specifics in program areas.

Social Services - By veto, the governor eliminated CalWORKs Stage 3 childcare ($256 million) effective November 1, 2010. This will mean the loss of subsidized childcare for 55,000 children from low-income families. Child welfare cut $80 million; HIV/AIDS cut $52 million, cuts of $10 million for health clinics and $6 million for community-based programs in the Department of Aging.

Mental Health - By veto, the governor eliminated $133 million of funding for the AB 3632 mandate or students' mental health services. The governor also declared his intent that the mandate be suspended for 2010-2011.

Cash Report - The September cash report shows that receipts for the month were above the Governor's May Revision estimates by $1.1 billion, or 15.3 percent. Corporate taxes were up $378.7 million (46.1 percent), and sales taxes came in $60 million above (2.9 percent) estimates. Personal income tax revenues came in above estimates by $732.9 million (22 percent). The State Controller attributes the increase to accelerated revenues due to recent changes to the tax deadlines, rather than a sign of significant upturn in the economy.

Williamson Act - On October 19, 2010, the Governor signed SB863 into law which allows counties to voluntarily implement new Williamson Act contracts that reduce both the term and benefits of the program by 10%. Under SB863, if certain criteria are met, counties would be allowed to create new 9 year contracts, as opposed to the current 10 year term, and would be allowed to assess 10% of the difference between a property owner's Proposition 13 factored base value and the Williamson Act value. In addition, SB863 allocated $10 million in 2010/11 in subvention funding to be distributed by formula to counties, of which $393,000 is estimated to be Stanislaus County's share. The Board of Supervisors has scheduled a Public Hearing for November 9, 2010 to consider whether to adopt the provisions of SB863. If implemented, this program has the potential to generate approximately $1.4 million in additional property tax revenue to Stanislaus County in the 2011/12 fiscal year.

A Safe Community

COUNTY DEPARTMENTS

CEO-OES/Fire Warden
CEO-Capital Projects
CEO-County Operations
District Attorney
Grand Jury
Integrated Criminal 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: 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 REVENUE AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of A Safe Community as of September 30, 2010, actual revenue collected is $6.5 million, which represents 15.4% of the estimated annual revenue. This is within the range when compared to the first quarter point of the prior two years when collections were at 12.1% and 18.1% of the final actual revenue. As of September 30, 2010, expenditures are $33.8 million, representing 22.7% of the budgeted appropriations. Expenditures at the first quarter point of the prior two years were 24.1% and 23.2% of the final actual expenditures, placing this year below the range.

Significant variations this year, compared to the same time period one year ago include:

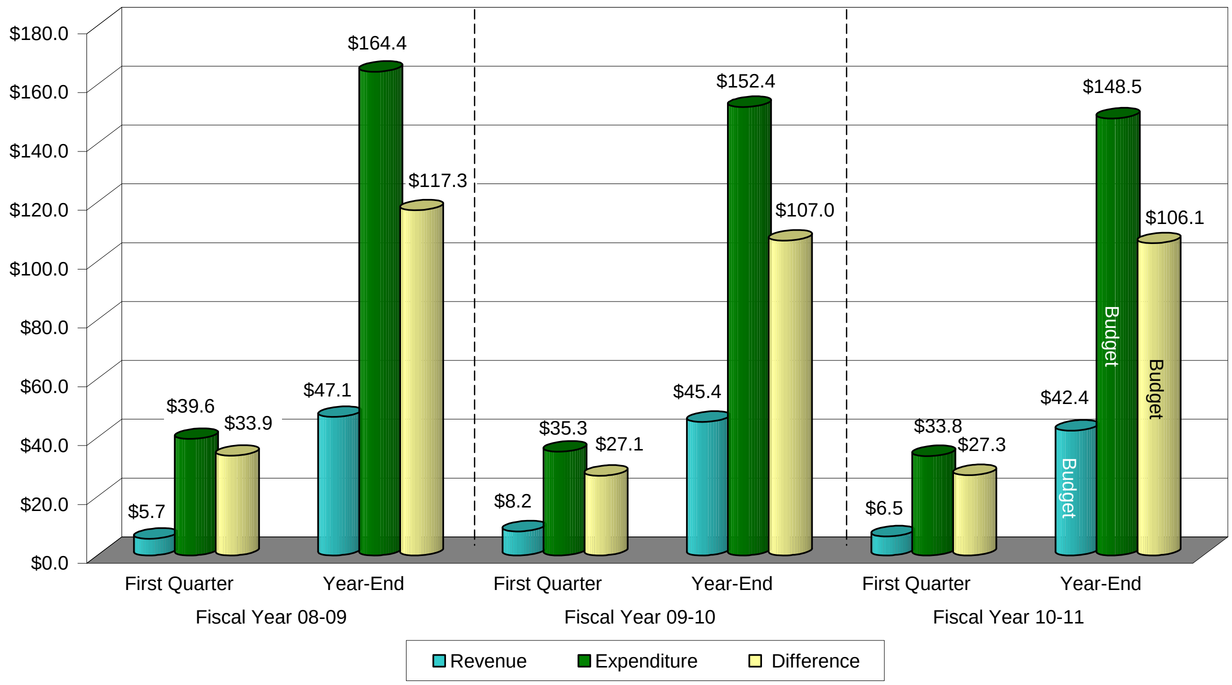
- Animal Services - A decrease of approximately $268,000 in revenue and $734,000 in expenditures due to the formation of the Animal Services Joint Powers Agency between the County and the Cities of Modesto, Ceres, Patterson, Hughson and Waterford;

- Probation - A decrease in revenue of approximately $640,000 in the Field Services and Institutions budgets combined as a result of delay in revenue received from the State;

- Sheriff - A decrease in revenue of approximately $128,900 in Detention due to receiving $50,700 in SB90 revenue and $30,000 of insurance payment for the Honor Farm trailer fire last year. In addition, this year Alternative Work Program (AWP) revenue is down $25,000 and two Honor Farm contracts have only been billed for one month of service instead of all three months. Expenditures are down in the Sheriff'-Operations budget by approximately $841,960 due to Salary & Benefit reductions due to a reduction-in-force effective June 25, 2010 and a $102,000 reduction in Fixed Asset spending.

The following chart provides a comparison of revenue, expenditures and the difference between the two, which is funded through a General Fund contribution, and the use of fund balance/retained earnings. This comparison shows first quarter and year-end for a three-year period, including the current year, for the departments assigned to the Board of Supervisors priority area of A Safe Community.

A Safe Community
Three Year Comparison



The total budgeted revenue for the departments assigned to the Board of Supervisors priority area of A Safe Community for Fiscal Year 2010-2011 is $42.4 million with departmental expenditures budgeted at $148.5 million and the difference of $106.1 million funded through a General Fund contribution and the use of fund balance/retained earnings. Departmental revenue is down by $1.7 million and expenditures are down by $1.5 million from First Quarter 2009-2010. The General Fund contribution and use of fund balance/retained earnings is at 18.4% of the budget at first quarter and is tracking with previous years. This trend is expected to continue throughout the year.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

CHIEF EXECUTIVE OFFICE – CRIMINAL JUSTICE FACILITIES FUND

It is requested to increase CEO - Criminal Justice Facilities Fund appropriations by $53,000 to fund six months of the Salida Substation Lease costs currently paid out of the General Fund by the Sheriff's Office. This funding would be tied to the actual start of the Day Reporting Center, a collaboration between the Sheriff's Department and Probation Department, which will begin on or around January 1, 2011. The Sheriff and Probation Departments have joined together to implement a Day Reporting Center that will provide an array of services while ensuring probationers are held accountable for non-compliant behavior, and will provide the Sheriff alternatives to custody. Three positions in Probation – Field Services are funded from the Probation – Corrections Performance Incentive Fund for the Day Reporting Center. The funding currently obligated by the Sheriff's Office for this lease would be available for other purposes at the Sheriff's discretion.

Budget Unit	Requested			Description
	Appropriations	Revenue	Fund Balance	
CEO - Criminal Justice Facilities Fund	$53,000	$0	$53,000	Increase appropriations to pay for Salida Substation for Day Reporting Center, beginning on January 1, 2011
Total	$53,000	$0	$53,000	

Summary of Recommendations: It is recommended to increase appropriations by $53,000 to fund six months of the Salida Substation lease for the Day Reporting Center beginning January 1, 2011, funded by fund balance.

PUBLIC DEFENDER

At first quarter the Public Defender has projected that the Department is likely to end the year with a deficit of as much as $140,000. This is due to salary costs being higher than budgeted, an error in the amount of revenue received to offset lease costs, over estimation of the State Dependency revenue and the State now saying that the revenue received for dependency cases is coming in lower than last fiscal year and incurred costs for outside investigator fees.

The Public Defender is requesting a decrease in estimated revenue and budgeted appropriations of $34,337 as a result of an error made in calculating revenue received for lease costs. The Public Defender is charged an annual lease costs for its office space which is directly offset by revenue received from the Criminal Justice Facilities Fund. When the Public Defender submitted their 2010-2011 budget, the amount of revenue received for the lease costs was overstated by $34,337. To properly reflect the correct budget it is recommended to reduce estimated revenue and appropriations by $34,337.

At the beginning of the 2009-2010 Fiscal Year, the Department employed six investigators, three of which were extra-help employees. Due to budget constraints, the Public Defender released the three extra-help investigators and did a reduction-in-force for two of the three full-time investigator positions. The Public Defender is required to conduct investigations of the circumstances of the cases to which it is appointed. Over the last three months it has become clear to the Department that one investigator is unable to perform all of the investigations. Currently the Department is soliciting the help of an investigator at approximately $4,167 per month or $30 per hour. If the Public Defender's Office is unable to investigate the cases to which it is appointed the Department runs the risk of the Superior Court appointing new counsel. The County would be required to pay for investigation services on the matter at a rate that is considerably higher than the Public Defender's Office pays. Currently, the Stanislaus Superior Court allows for the payment of court appointed investigators at a rate not to exceed $65 per hour. This exceeds the amount that the Public Defender pays for an investigator. Therefore the Public Defender is requesting an additional $50,000 in appropriations to fund an investigator on an on-call basis for the 2010-2011 Fiscal Year. It is recommended that these appropriations be transferred from the Public Defender – Indigent Defense budget.

Each year the Public Defender is billed for a portion of the costs associated with the Integrated Criminal Justice Information System (ICJIS) computer system. The ICJIS fund currently has retained earnings of approximately $487,000, a portion of which is from past excess contributions from the Public Defender's Office budget. The Department will propose to the ICJIS Commission that the remaining ICJIS charges for Fiscal Year 2010-2011 of $32,377 be paid from retained earnings which would assist the Department with their funding shortfall.

The Department projects that in the 2010-2011 Fiscal Year there are sufficient funds in the Public Defender – Indigent Defense budget to offset projected operating costs. The Department concludes there are adequate resources to support the transfer of $75,000 to the Public Defenders budget to address the cost of the investigative services and the recalculation in revenues. The Department would like to address the additional shortfall of approximately $75,000 at mid-year.

As the following table of 2010-2011 expenditures illustrates, Stanislaus County currently has remarkably low costs for the defense of indigents. Even with these suggested adjustments the total amount spent per capita in Stanislaus County will be the lowest of any reasonable comparison county in the state.

County	Population	PD Budget	Indigent Defense Budget	Total Defense Budget	Per Capita Cost
San Joaquin	689,480	$11,240,826	$4,716,017	$15,956,843	$23.14
Stanislaus	530,584	$5,707,909	$3,412,378	$9,120,287	$17.19
Merced	256,460	$4,145,521	$2,084,031	$6,229,552	$24.29
Fresno	942,298	$12,266,141	$5,089,848	$17,355,989	$18.42
Kern	827,173	$13,711,221	$5,133,369	$18,844,580	$22.78

Under the constitutions of both the United States of America and the State of California the County must provide counsel to anyone facing criminal charges that could result in a loss of liberty and is unable to afford counsel. If the Public Defender has insufficient resources to defend the matter, either because they cannot do an adequate investigation of the matter or because they have an insufficient number of attorneys in the Department to handle the case, the office must be relieved as counsel at which time the court would appoint private counsel.

Currently the Public Defender's caseloads are approximately 315 cases per year for each attorney assigned to felony matters and more than 800 cases per year for the attorneys who represent people accused of misdemeanors. Both the American Bar Association and a committee of the California State Bar have suggested that a realistic limit would be 150 new felony matters per year or 400 misdemeanor matters in a year. These figures have also been cited by the Appellate Courts in California in recent years. In the 12 months ending on October 1, 2010, the Public Defender's Office was appointed to 14,745 of which there were 10,811 new matters and an additional 3,934 matters reopened.

The Public Defender's legal budget for 2010-2011 to handle these cases as well as any matters that had continued on from last year is $5,707,909 less department revenue of $688,992, for a net cost of $5,018,917. If this number is divided by 14,745, the number of cases in the Public Defender's Office, the cost per case is $340. In the 2009-2010 Fiscal Year there were 36 misdemeanor cases in which private counsel was paid from the Public Defender – Indigent Defense budget. The average cost to the county was approximately $1200 for one misdemeanor matter. If the three greatest cost cases are pulled out of the 36 misdemeanor cases, the average cost would be approximately $778.

The Chief Executive Office at first quarter has evaluated the Public Defender's 2010-2011 Fiscal Year Budget and concluded that there is approximately a $180,000 shortfall. This is a result of the Department not budgeting enough funds for salaries, an error in the amount of revenue received to offset lease costs, the Departments over estimation of the State Dependency revenue and the State now coming in lower for dependency cases than last fiscal year and incurred costs for outside investigator fees. In order to address the shortfall and based upon the risk of the Public Defender not having sufficient investigative services, it is recommended to transfer $50,000 for investigative services from the Public Defender – Indigent Defense Budget and implement a reduction-in-force of two Attorney positions for an additional $130,000 to offset the projected remainder of the shortfall.

Currently the Public Defender has 40 full-time staff. In Fiscal Year 2009-2010 the Department deleted three filled contract employees positions and five full-time positions: Attorney, Supervising Clerk II, two Special Investigator II, and Account Clerk III. The Departments current years budget was reduced as a result of not meeting its 2009-2010 Fiscal Year approved Net County Cost by $9,381. The Chief Executive Office has recommended to the Public Defender the implementation of a reduction-in-force of two Attorney positions to meet its budget shortfall. This reduction will be effective January 15, 2011 and will save the Department approximately $130,000 in Fiscal Year 2010-2011.

Looking ahead to 2011-2012, the Public Defender will face an even greater reduction of over $500,000 in meeting its targeted budget. This will force the Department to evaluate its current service levels and make the appropriate reductions. It is recommended that the Department take a proactive approach in the evaluation of its budget challenges and start implementing changes within the 2010-2011 Fiscal Year to reduce the impact of the reductions in the 2011-2012 Budget Year.

Indigent Defense: Shortly before the end of the first quarter of this fiscal year a settlement was reached in the case of People v. Columbus Allen Jr. In the 2009-2010 Final Budget, $1 million was set aside in Committed Fund Balance for litigation for potential exposures associated with a change in venue for a capital murder trial. The total cost to the Department for the People v. Columbus Allen Jr. case are $212,818 in the current fiscal year. The Department is evaluating the invoices to identify cost related to the change in venue. Once determined, these costs will be recommended for funding from the $1 million set aside for litigation.

While it is early in the fiscal year to make absolute projections about the amount that will be needed to fund the Public Defender - Indigent Defense Fund, it appears that for the first time in at least five years there are sufficient funds to meet the obligations. Over the last several years those cases where the Public Defender is legally unable to provide counsel has increased. In part this was because of several high profile murder and gang cases which represented unusually high costs. At this point in time most if not all of those cases have concluded. If such a high profile case should arise, it is unlikely that the costs associated with such a matter would impact the remaining three quarters of this fiscal year. Even if the rate of expenditure were to increase over what it has been in the first quarter of the fiscal year it is projected there are adequate resources to support the transfer of $50,000 to the budget of the Public Defender's Office to address the cost of investigations.

Budget Unit	Requested			Description
	Appropriations	Revenue	Fund Balance	
Public Defender	($34,337)	($34,337)	$0	Increase appropriations and revenue due to an error in budgeted lease costs
Public Defender	$50,000	$0	$50,000	Transfer from Public Defender - Indigent Defense for investigator costs.
Public Defender - Indigent Defense	($50,000)	$0	($50,000)	Transfer to Public Defender for investigator costs.
Total	($34,337)	($34,337)	$0	

Staffing Requests: The Chief Executive Office is recommending the deletion of two filled Attorney V (currently under-filled as an Attorney III) positions due to a budget shortfall.

PUBLIC DEFENDER DEPARTMENT STAFFING REQUESTS AFFECTING ALLOCATION COUNT						
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Public Defender	-2	11872, 11492	Attorney V	Delete filled positions	Budget shortfall	Delete positions/Reduction-in-Force
PUBLIC DEFENDER CHANGES	-2					
BEGINNING ALLOCATION	40					
CHANGES IN ALLOCATION	-2					
ENDING ALLOCATION	38					

Summary of Recommendations: It is recommended to decrease appropriations and revenue by $34,337 in the Public Defender budget. It is further recommended to transfer $50,000 in appropriations from the Public Defender – Indigent Defense budget to the Public Defender budget for the investigator costs. The recommended changes in staffing are outlined in the staffing table above. The deletion will result in a reduction-in-force action effective January 15, 2011.

SHERIFF

As the Sheriff's Department looks ahead to Budget Year 2011-2012, reductions in staffing levels and service levels are inevitable. This is primarily due to increases in operational costs related to retirement costs and workers' compensation insurance costs. The Department will present a separate agenda item to the Board on November 2, 2010, to address the impacts and to propose solutions as they look to next fiscal year.

Staffing Requests: The Department is requesting the following technical adjustments: downgrade an Account Clerk III position to Administrative Clerk II to properly align the position with the duties and to reclassify upward an Assistant Cook I position to Assistant Cook II to reflect the change in position duties.

SHERIFF DEPARTMENT FIRST QUARTER TECHNICAL ADJUSTMENTS						
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Administration	1	8997	Account Clerk III	Downgrade position	Properly allocate	Downgrade position to Administrative Clerk II
Detention	1	9002	Assistant Cook I	Reclassify upward	Change in position duties	Assistant Cook II

Summary of Recommendations: The recommended changes in staffing are outlined in the staffing table above.

SUMMARY

Overall, appropriations and estimated revenue for A Safe Community are recommended to increase by $18,663 and decrease by $34,337 respectively. This is funded through the use of $53,000 of available departmental fund balance.

A Healthy Community

COUNTY DEPARTMENTS

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

A Healthy Community

OVERVIEW

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

DEPARTMENTAL REVENUE AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of A Healthy Community as of September 30, 2010, actual revenue is $63.8 million, which represents 14.3% of the estimated annual revenue. This is within the range when compared to the first quarter point of the prior two years when collections were 12.5% and 14.5% of the final actual revenue. As of September 30, 2010, expenditures are $89.8 million, representing 19.8% of the budgeted appropriations. Expenditures at the first quarter point of the two prior years were 18.8% and 20.5% of the final annual expenditures, placing this year's expenditures within the range.

Significant variations this year, compared to the same time period one year ago include:

- Area Agency on Aging – Overall, a decrease in revenue of approximately $472,000 which is primarily related to the timing of receipt of State and Federal funding;

- Behavioral Health and Recovery Services – Overall, an increase in revenue of approximately $1 million which is primarily related to the timing of receipt of Mental Health Services Act funding, and an overall decrease in appropriations of approximately $526,000 primarily related to funding for audit liabilities;

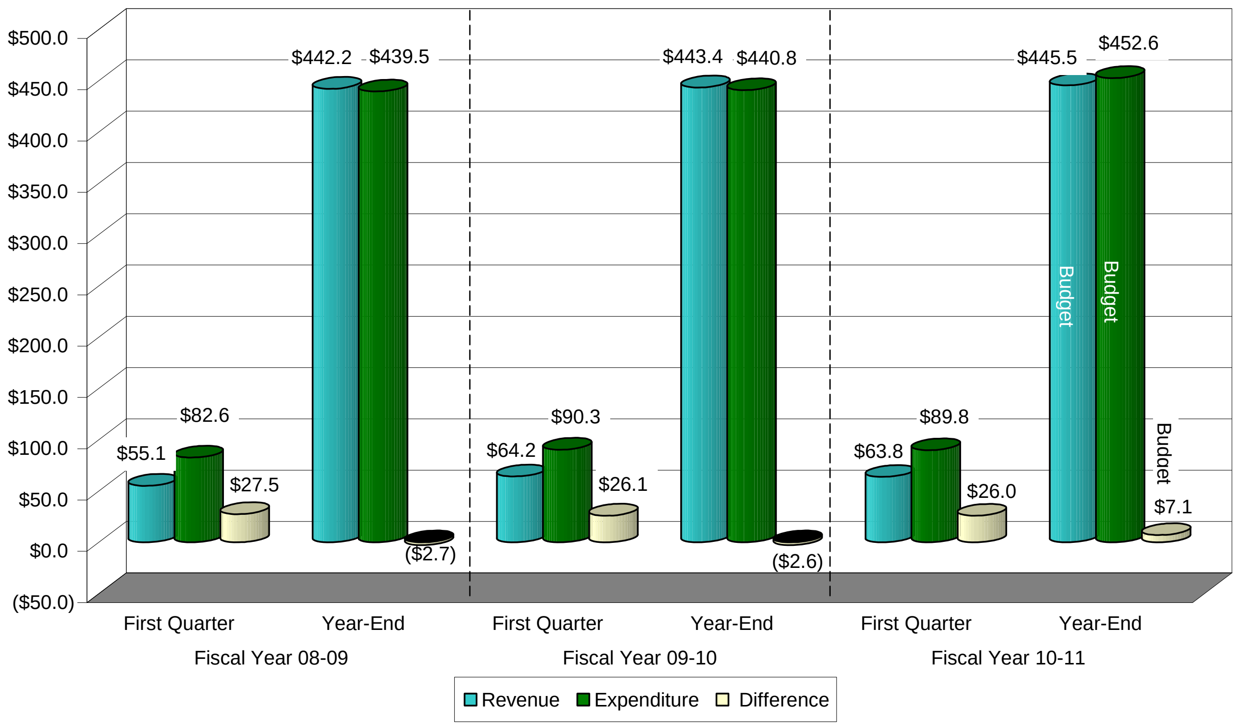
- Children and Families Commission – Overall, a decrease in revenue of approximately $1 million primarily as a result of decreases in interest earned and a decrease in Proposition 10 revenue due to declines in the economy and newly implemented federal tobacco taxes which are reducing the sale of tobacco products statewide;

- Community Services Agency – Overall, an increase in appropriations of approximately $1.4 million primarily as a result of increased caseload demand for public assistance programs and increased average grant costs in Foster Care and Adoptions Assistance programs; and

- Health Services Agency – Overall, a decrease in appropriations of approximately $800,000 resulting from the closure of the County's Family Medicine Residency Program that coincided with the start-up of the Valley Consortium for Medical Education's new Family Medicine Residency Program.

The following chart provides a comparison of revenue, expenditures and the difference between the two which is funded through the use of fund balance/retained earnings. This comparison shows first quarter and year-end for a three-year period, including the current year, for the departments assigned to the Board of Supervisors priority area of A Healthy Community.

A Healthy Community
Three Year Comparison



The total budgeted revenue for the departments assigned to the Board of Supervisors priority area of A Healthy Community for Fiscal Year 2010-2011 is $445.5 million with departmental expenditures budgeted at $452.6 million and the difference of $7.1 million funded through the use of fund balance/retained earnings. Both revenue and expenditures are down, with revenue collections decreasing by $383,000 and expenditures decreasing by $500,000 over First Quarter 2009-2010. It is anticipated that this priority area will end the year within budget.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

COMMUNITY SERVICES AGENCY

The Community Services Agency – In Home Supportive Services (IHSS) program ended Fiscal Year 2009-2010 with $58.3 million in expenditures. The program was funded with $56.0 million in non-General Fund revenues (Federal and State revenues), and $2.3 million in County General Fund dollars (local revenues).
The IHSS program is currently budgeted at $46.4 million as approved by the Board of Supervisors with the Fiscal Year 2010-2011 Final Budget. The current budget assumes $44.4 million in program funding from non-General Fund resources (Federal and State revenues), and an additional $2.0 million in County General Fund dollars (local revenues). This reduced budget level was necessary due to a lack of General Fund resources available to draw down all available Federal and State revenues. This level of funding is not sufficient to fund the program to the end of the current fiscal year at the existing wage level paid to IHSS Providers. Maintaining the current wage level will require an estimated increase of $10.6 million in budget appropriations to provide all mandated services projected in Fiscal Year 2010-2011. This increase will require an additional $897,975 in County General Fund support in the current fiscal year and $9.7 million in additional Federal and State contributions.

These new Fiscal Year 2010-2011 projections have decreased the need for additional County General Funds from $1,331,950 as reported in the Adopted Final Budget to $897,975. Two significant changes have occurred to produce this reduction of $433,975 to the General Fund exposure:

- First Quarter September 2010 actual caseload has experienced negative caseload growth consistent with statewide trends; savings at the County General Fund level total $278,865. Note that the State continues to forecast caseload growth at 6.2%; Stanislaus County projections continue to forecast local caseload growth at 5.8%, the equivalent of the most current three-year actual average.
- The Final State Budget included a 3.6% reduction to authorized hours, not eligible for hearing or re-assessment, to all IHSS cases effective in January 2011 through June 2012. This reduction is estimated to reduce the county share unmet need by $155,110 in the current year and by approximately $384,000 in Fiscal Year 2011-2012.

Fiscal Year 2010-2011 post close analysis has identified fund balance savings, generated through August realignment revenue that can help to mitigate this current year General Fund exposure further, by $554,530. With Board authorization to dedicate this fund balance to the IHSS unmet need, the exposure for the current year drops to $343,445.

Significant financial exposure exists for the IHSS program in the future. The IHSS program continues to grow in size and cost, while local dollars, available to provide the mandated County Match for the program are shrinking.

As an entitlement program, the County does not have the discretion to change the program, or reduce services to eligible customers pursuant to program regulations. Assuming consistent growth trends (averaging 5.8% per year for the last three years) and no change in IHSS Provider wage rates for the next two fiscal years, the County General Fund exposure will grow an additional $3.2 million in Budget Year 2011-2012 and $4.2 million in Budget Year 2012-2013. Approximately $2.0 million of this exposure is related to the loss of supplemental Federal Medicaid Assistance Percentage (FMAP) funding provided to the County through the American Reinvestment and Recovery Act, which is scheduled to expire on July 1, 2011.

SUMMARY

Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Healthy Community are projected to meet budget at year-end. There are no recommended budget changes for this priority area.

A Strong Local Economy

COUNTY DEPARTMENTS

Alliance Worknet
CEO-Economic Development Bank
Library

A Strong Local Economy

OVERVIEW

The Board of Supervisors priority area of A Strong Local Economy recognizes the critical 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, providing a wide range of employment and training services, providing educational and recreational opportunities and resources, 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 dedicated 1/8-cent sales tax and a contribution from the General Fund.

DEPARTMENTAL REVENUE AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of A Strong Local Economy as of September 30, 2010, actual revenue collected is $3.8 million, which represents 13.4% of the estimated annual revenue. This is above the range, due to the acceleration of revenue receipts in the current fiscal year, when compared to first quarter of the prior two years when collections were 8% and 9% of the actual revenue. As of September 30, 2010, expenditures are $6.7 million, representing 22.6% of the budgeted appropriations. Expenditures at first quarter of the prior two years were 20.4% and 22.3% of the actual expenditures, also placing this year's expenditures just above the range.

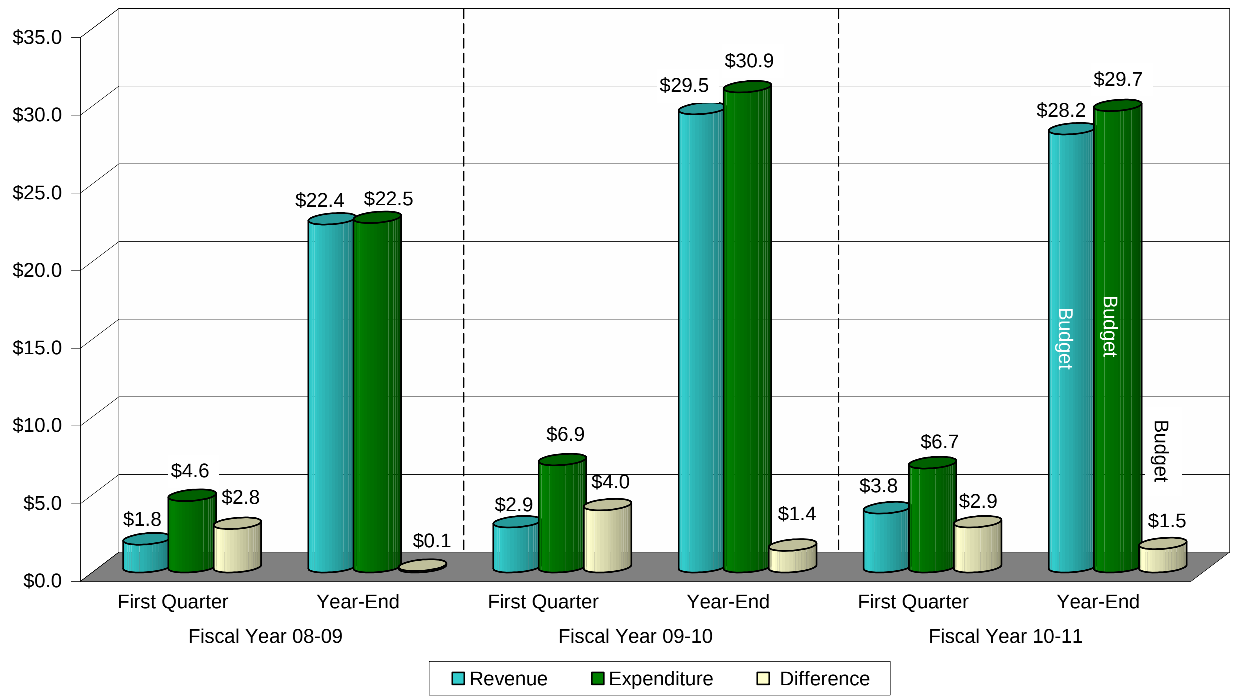
Significant variations this year, compared to the same time period one year ago include:

- Alliance Worknet and Alliance StanWORKs – Overall, an increase in revenue of approximately $663,000 primarily due to a variety of Federal funding sources being available to implement employment and training programs (vocational, on-the-job, paid internships, support services to youth, adults and dislocated workers and seniors) and for additional work in the renewable energy sector; and

- Library – An increase in revenue of approximately $225,000 due to a the timing of sales tax revenue and receipts from the State of California. This revenue is earmarked for general library operations.

The following chart provides a comparison of revenue, expenditures and the difference between the two which is funded through the use of fund balance/retained earnings. This comparison shows first quarter and year-end for a three-year period, including the current year, for the departments assigned to the Board of Supervisors priority area of A Strong Local Economy:

A Strong Local Economy
Three Year Comparison



The total budgeted revenue for the departments assigned to the Board of Supervisors priority area of A Strong Local Economy for Fiscal Year 2010-2011 is $28.2 million with departmental expenditures budgeted at $29.7 million and the difference of $1.5 million funded through the use of fund balance/retained earnings. Revenue collections have increased by $900,000 and expenditures decreased by $200,000 over First Quarter 2009-2010. It is anticipated that this priority area will end the year within budget.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

LIBRARY

Staffing Requests: In the 2010-2011 Adopted Final Budget, the Board approved reclassifying a Librarian III position to an Administrative Clerk I in order to accommodate an employee impacted by a reduction-in-force. The Department had a reduction-in-force prior to the start of Fiscal Year 2010-2011 as a result of a reduction in sales tax revenue. The strategy was to keep the affected employee in place to address a staffing need that existed by another employee in the same classification who had not been working since December 2009 and was in the process of applying for disability retirement. On September 28, 2010, the Board of Retirement approved the disability retirement request for the employee necessitating the Library's need to request the deletion of the vacant Administrative Clerk I position. The Department is now requesting to delete a vacant Administrative Clerk I position in order to reflect the department's reduction in allocated positions as reflected in the table below.

LIBRARY STAFFING REQUESTS AFFECTING ALLOCATION COUNT						
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Library	-1	2232	Administrative Clerk I	Delete position	Revenue loss	Delete vacant position
LIBRARY CHANGES	-1					
BEGINNING ALLOCATION	73					
CHANGES IN ALLOCATION	-1					
ENDING ALLOCATION	72					

Summary of Recommendations: The recommended changes in staffing are outlined in the staffing table above.

SUMMARY

Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Strong Local Economy are projected to meet budget at year-end. There are no recommended budget 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 over $2 billion per year for County residents. Farmland conversion, air pollution, soil salinity and drainage, agricultural water supply and water quality, and preservation of our unique agriculture heritage are key aspects of A Strong Agricultural Economy/Heritage. Departments assigned to this priority area include: Agricultural Commissioner's Office and Cooperative Extension. The major funding source for these County budgets includes contributions from the General Fund. The Agricultural Commissioner receives State funding for a number of programs as well as charges for specific services. While not part of the County budget, Cooperative Extension's University of California advisors are funded through the University of California system.

DEPARTMENTAL REVENUE AND EXPENDITURES

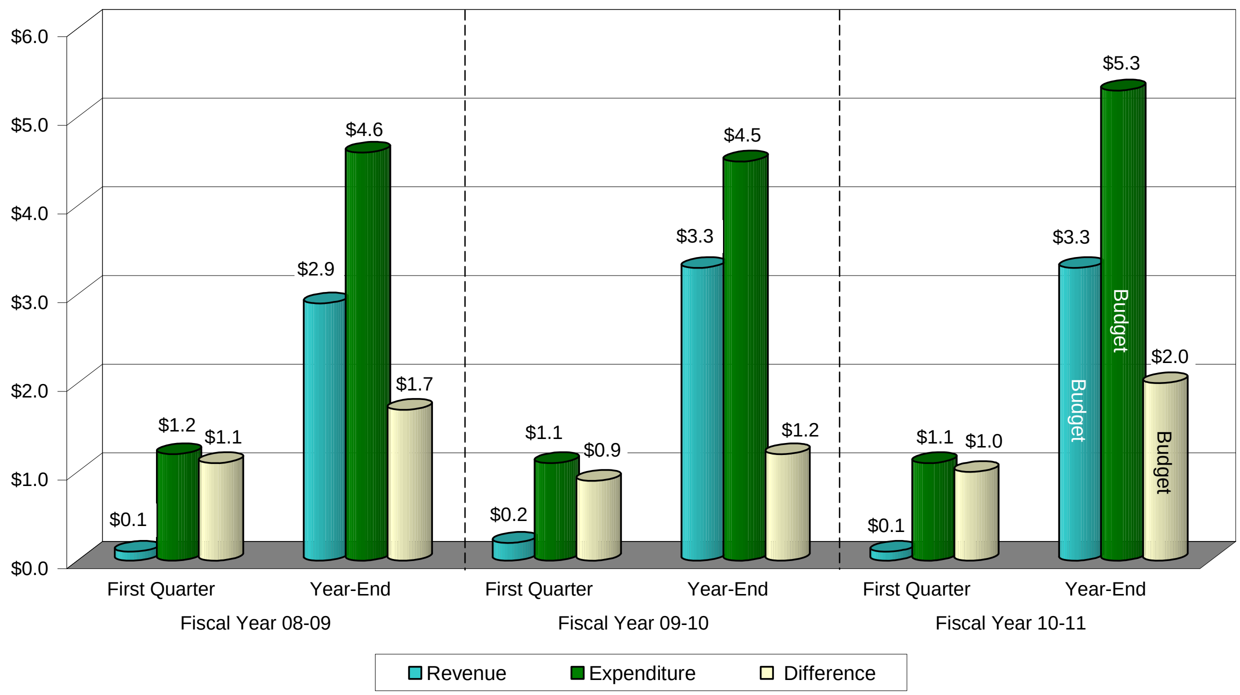
For the departmental budgets that are part of the Board of Supervisors priority area of A Strong Agricultural Economy/Heritage as of September 30, 2010, actual revenue collected is $104,248, which represents 3.2% of the estimated annual revenue. This is below the range when compared to first quarter of the prior two years when collections were 3.4% and 6.1% of the actual revenue. As of September 30, 2010, expenditures are $1.1 million, representing 20.9% of the budgeted appropriations. Expenditures at the first quarter point of the prior two years were 26.1% and 24.4% of the final actual expenditures, placing this year's expenditures below the range.

Significant variations this year, compared to the same time period one year ago include:

- Agricultural Commissioner's Office – Approximately $79,000 less in estimated revenue than the prior year due to a delay in revenue receipts from the State.

The following chart provides a comparison of revenue, expenditures and the difference between the two which is funded through a General Fund contribution or the use of fund balance/retained earnings. This comparison shows first quarter and year-end for a three-year period, 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
Three Year Comparison



The total budgeted revenue for the departments assigned to the Board of Supervisors priority area of A Strong Agricultural Economy/Heritage for Fiscal Year 2010-2011 is $3.3 million with departmental expenditures budgeted at $5.3 million and the difference of $2 million funded through the use of fund balance. Revenue collections have decreased slightly and expenditures remain the same in comparison to First Quarter 2009-2010. This General Fund contribution and use of fund balance is slightly above First Quarter 2009-2010, however, it is anticipated that this priority area will end the year within budget.

<u>FIRST QUARTER ISSUES AND RECOMMENDATIONS</u>

COOPERATIVE EXTENSION

Staffing Requests: In an effort to better position the Department for Budget Year 2011-2012 and anticipated budgeted reductions, the Department is requesting an organizational study. University of California Cooperative Extension receives a contribution from the General Fund for the Department's operational expenses including support staff that work with the advisers and paraprofessionals in program delivery. The organizational study will analyze current positions as well as future operational needs. These requests are reflected in the table below.

COOPERATIVE EXTENSION TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION						
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Cooperative Extension		Various	Department review	Organization study	Review department structure	Study

Summary of Recommendations: The recommended changes in staffing are outlined in the staffing table above.

SUMMARY

Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Strong Agricultural Economy/Heritage are projected to meet budget at year-end. There are no recommended budget changes for this priority area.

A Well Planned Infrastructure System

COUNTY DEPARTMENTS

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

A Well Planned Infrastructure System

OVERVIEW

The Board of Supervisors priority area of A Well Planned Infrastructure System is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, and regional approaches to transportation circulation are critical to A Well Planned Infrastructure System. Departments assigned to this priority area include: Environmental Resources, Parks and Recreation, Planning and Community Development, and Public Works. Environmental Resources and Planning and Community Development's Building Services Division are supported primarily through fees and charges for services. The General Fund primarily funds the Parks and Recreation Department and Planning and Community Development's Planning Division. The Planning and Community Development's Community Development Division and the Redevelopment Agency are funded by special revenue grants and tax increment payments. The Public Works Department's primary sources of funding are derived from charges for services and State and Federal funding for transportation and roads.

DEPARTMENTAL REVENUE AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of A Well Planned Infrastructure System as of September 30, 2010, actual revenue collected is $21.9 million, which represents 20.9% of the estimated annual revenue. This is higher than the range when compared to first quarter of the prior two years when collections were 15% and 13% of the actual revenue. As of September 30, 2010, expenditures are $19.9 million, representing 14.9% of the budgeted appropriations. Expenditures at the first quarter of the prior two years were 26.8% and 22.8% of the actual expenditures, placing this year's expenditures below the range.

Significant variations this year, compared to the same time period one year ago include:

- Department of Environmental Resources Geer Road Landfill – An increase in revenue of approximately $1.7 million due to additional revenue transferred from the post-closure account to cover special project expenditures in Fiscal Year 2010-2011;

- Department of Environmental Resources Fink Road Landfill – A decrease in expenditures of approximately $300,000 due to Cell 5 development expenses that occurred in Fiscal Year 2009-2010. Cell 5 development has been completed thus there will generally be lower expenses in Fiscal Year 2010-2011;

- Department of Environmental Resources Waste-to-Energy Program – An increase in expenditures of approximately $1.7 million due to lower electricity revenue resulting in higher service fee payments to

Covanta. Electricity revenue offsets the service fee payments to Covanta and because the electricity revenue is significantly lower, the service fee payments are higher;

- Redevelopment Agency – A decrease in expenditures of approximately $4.8 million due to considerable work conducted by the Agency in the prior fiscal year on the Keyes Improvement (Storm Drainage System) Project. This redevelopment project is now substantially complete;

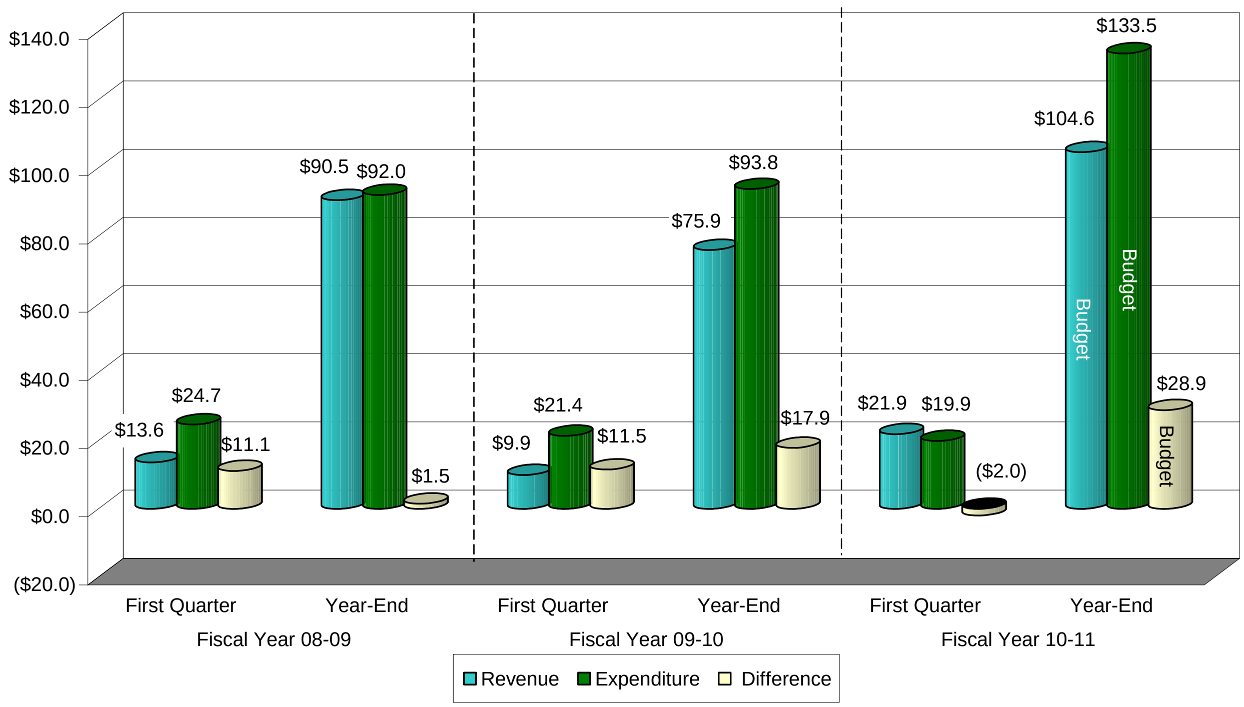
- The Planning and Community Development Department General Plan Maintenance Fee – An increase in revenue of approximately $300,000 through a transfer from Public Facility Fees for the commencement of the Comprehensive General Plan Update. The Department has initiated the preparation of the update and related environmental studies;

- The Department of Public Works Road and Bridge – An increase in revenue of approximately $9.7 million as a result of the receipt of $2.4 million of Proposition 1B funds. These were originally allocated by the State in Fiscal Year 2009-2010, but not programmed for expenditure and drawn down by the County until this year. In addition, the County received reimbursement for the 2009 Cape Seal Project in the amount of $2.3 million (Federal revenues approximately $1.5 higher than previous year) and transferred in $5.5 million of Public Facility Fee funds for the Highway 99 at Kiernan Interchange Project. Expenditures also increased by approximately $1.8 million due to the expenditure of previously received Proposition 1B funds. These funds were used for the County's Chip Seal Program, resurfacing approximately 45 miles of roadway, and for the performance of road preparation work for the American Reinvestment and Recovery Act (ARRA) projects; and

- The Department of Public Works Administration – An increase in revenue of approximately $500,000 resulting from the Board action in June of 2010 approving an agreement with the Central Valley Flood Control Board (CVFCB) for the CVFCB to provide an additional $445,000 in funding for the Orestimba Flood Control Project. The Department of Public Works is acting as the "pass through" agency for the U.S. Corps of Engineers. The receivable was set up in Public Works Administration to avoid any conflict with Road Funds. When the funds are received, the revenue account will be (decreased) as the funds are "passed through" to the Corps of Engineers, thereby zeroing out the revenue account.

The following chart provides a comparison of revenue, expenditures and the difference between the two which is funded through a General Fund contribution or the use of fund balance/retained earnings. This comparison shows first quarter and year-end for a three-year period, 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
Three Year Comparison



The total budgeted revenue for the departments assigned to the Board of Supervisors priority area of A Well Planned Infrastructure System for Fiscal Year 2010-2011 is $104.6 million with departmental expenditures budgeted at $133.5 million and the difference of $28.9 million funded through the use of fund balance/retained earnings. Revenue collections have increased by $12 million and expenditures have decreased slightly by $1.5 million over First Quarter 2009-2010. It is anticipated that this priority area will end the year within budget.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

ENVIRONMENTAL RESOURCES

Staffing Requests: In preparation for the continued budget challenges ahead, the Department reviewed staffing as part of first quarter to ensure that the proper classifications were aligned to meet core priorities. As a result, the Department submitted a request to restore an unfunded Confidential Assistant IV position. Funding for this position is provided by the Department's current fee structure and is sustainable for a minimum of two fiscal years. The Confidential Assistant IV position will report to the Department's Business Manager and has administrative responsibilities in the areas of finance and human resources for both the

Departments of Environmental Resources and Parks and Recreation. This position is critical to the Department's future strategic planning needs.

ENVIRONMENTAL RESOURCES DEPARTMENT STAFFING REQUESTS AFFECTING ALLOCATION COUNT						
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Environmental Resources	1	2067	Confidential Assistant IV	Restore unfunded position	Funding available through fees	Restore vacant position
DER CHANGES	1					
BEGINNING ALLOCATION	91					
CHANGES IN ALLOCATION	1					
ENDING ALLOCATION	92					

Summary of Recommendations: The recommended changes in staffing are outlined in the staffing table above.

PUBLIC WORKS

Staffing Requests: The Department is requesting to unfund a vacant Software Developer/Analyst III position assigned to the GIS unit due to the economic climate and lack of funding for the next fiscal year. As a result, the Department is requesting to reclassify the remaining Application Specialist III position to better reflect the change in job duties to support development functions.

The Department is also requesting a title change in the engineering classification series to include surveyor. The Chief Executive Office has conducted a study of this series and concluded that individuals working within the engineering series currently carry out surveyor responsibilities and duties. The Department distinguishes between the two areas when recruiting and when utilizing working titles in flyers and advertisements. The Department has determined it would be more effective to include both responsibilities in the classification title. Industry representatives agree that a distinction between the two assignments will establish clear responsibilities and duties for survey classifications. The Department is requesting to modify the Senior Engineering Technician, Assistant Engineer, and Associate Civil Engineer classifications as reflected below.

PUBLIC WORKS DEPARTMENT STAFFING REQUESTS AFFECTING ALLOCATION COUNT						
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Administration	-1	2185	Software Developer/Analyst III	Unfund vacancy	Not funded in FY 2011-2012	Unfund vacant position
PUBLIC WORKS CHANGES	-1					
BEGINNING ALLOCATION	108					
CHANGES IN ALLOCATION	-1					
ENDING ALLOCATION	107					

PUBLIC WORKS DEPARTMENT TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION						
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Administration	1	9730	Application Specialist III	Reclassify laterally	Change in position duties	Software Developer II
Engineering		Various	Senior Engineering Technician	Title change	Include surveyor	Senior Engineering/Surveying Technician
		Various	Assistant Engineer	Title change	Include surveyor	Assistant Engineer/Surveyor
		Various	Associate Civil Engineer	Title change	Include surveyor	Associate Civil Engineer/Associate Surveyor
	1	2175	Manager III	Reclassify downward	Change in position duties	Associate Civil Engineer/Associate Surveyor

Summary of Recommendations: The recommended changes in staffing are outlines in the staffing table above.

SUMMARY

Overall, appropriations and estimated revenue for the Board of Supervisors priority area of A Well Planned Infrastructure System are projected to meet budget at year-end. There are no recommended budget 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-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.

DEPARTMENTAL REVENUE AND EXPENDITURES

For the departmental budgets that are part of the Board of Supervisors priority area of Efficient Delivery of Public Services as of September 30, 2010, actual revenue collected is $19.1 million, which represents 17% of the estimated annual revenue. This is slightly below the range when compared to first quarter of the prior two years when collections were 21.9% and 20.8% of the final actual revenue. As of September 30, 2010, expenditures are $34 million, representing 19.1% of the budgeted appropriations. Expenditures at first quarter of the prior two years were 24.7% and 24.1% of the final actual expenditures, placing this year's expenditures below the range.

Significant variations this year, compared to the same time period one year ago include:

- Chief Executive Office – Risk Management Self-Insurance Funds - A $4 million decrease in revenue and a $3.4 million decrease in expenditures due primarily to a lag in posting of September's health insurance payments and corresponding revenue;

- Chief Executive Office – Crows Landing Air Facility - A $124,000 decrease in expenditures due to an error in posting in the current year which the Auditor plans to correct in October;

- Chief Executive Office – Debt Service Fund - A $404,512 decrease in expenditures due to the timing of the annual net debt service Certificate of Participation (COP) payments;

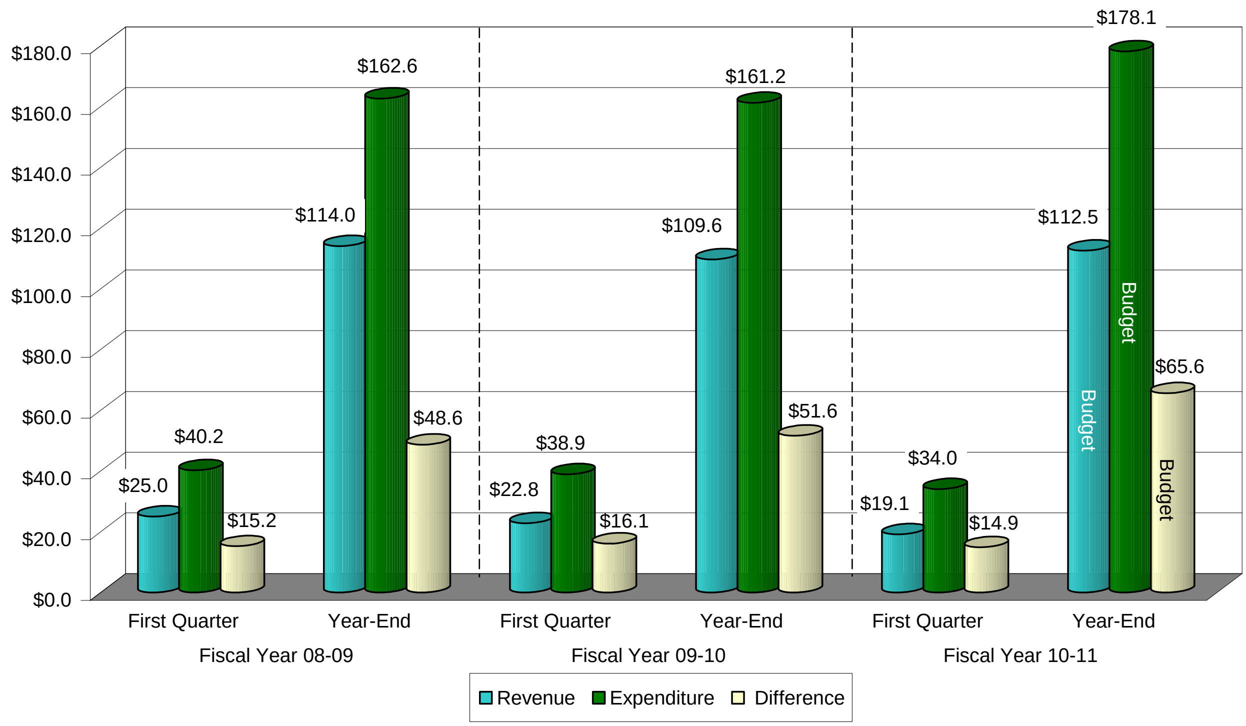
- Chief Executive Office – Plant Acquisition - A decrease in expenditures of $342,383 due to a one-time transfer of funds that took place in Fiscal Year 2009-2010 for the Sheriff's Honor Farm waste water treatment facility;

- Clerk-Recorder - Elections – There is an overall decrease of $176,804 in revenue since most the June 2010 election can not be billed out and a decrease in expenditures of $156,601 due to an increase in expenditures last year on the warehouse; and

- Strategic Business Technology – An overall decrease of approximately $205,000 in revenue and $215,000 in expenditures due to a variety of data infrastructure and telecommunication projects completed in the prior fiscal year including Voice over Internet Protocol (implementation and hardware purchases).

The following chart provides a comparison of revenue, expenditures and the difference between the two which is funded through a General Fund contribution and the use of fund balance/retained earnings. This comparison shows first quarter and year-end for a three-year period, 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
Three Year Comparison



The total budgeted revenue for the departments assigned to the Board of Supervisors priority area of Efficient Delivery of Public Services for Fiscal Year 2010-2011 is $112.5 million with departmental expenditures budgeted at $178.1 million and the difference of $65.6 million funded through a General Fund contribution and the use of fund balance/retained earnings. Both revenue and expenditures are down, with revenue collections decreasing by $3.7 million and expenditures decreasing by $4.9 million from First Quarter 2009-2010. As a result, the General Fund contribution and use of fund balance/retained earnings is a 22.7% of the budget at first quarter and is tracking below previous years. This trend is expected to continue throughout the year.

FIRST QUARTER ISSUES AND RECOMMENDATIONS

AUDITOR-CONTROLLER

Staffing Requests: The Department previously requested a classification study of a Manager II position assigned to the Property Tax Division. This position is responsible to provide oversight and administration of the Property Tax Division. A recommendation to reclassify the position is outlined in the staffing table below.

AUDITOR-CONTROLLER TECHNICAL ADJUSTMENTS TO POSITION ALLOCATION						
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Auditor-Controller	1	2219	Manager II	Reclassify upward	Study recommendation	Manager III

Summary of Recommendations: The recommended change in staffing is outlined in the staffing table above.

CHIEF EXECUTIVE OFFICE

County Facilities: The County Facilities budget provides funding for minor facility improvements and costs associated with maintaining certain County property. The Adopted Final Budget for Fiscal Year 2010-2011 was approved with appropriations of $368,162.

As part of the First Quarter Financial Report for Fiscal Year 2010-2011, the Chief Executive Office (CEO) is requesting approval to use existing appropriations to contract for professional services to install a ramp at the entrance of the downtown Men's Jail to ensure compliance with American's with Disability Act (ADA) requirements estimated not to exceed $20,000 to be funded by existing appropriations in the County Facilities budget and will have no additional impact to the General Fund.

Operations and Services: January 1, 2006 marked the commencement of the Stanislaus County/City of Modesto Weed and Seed partnership targeting the West Modesto area (Paradise South Gateway to Change). Sponsored by a grant provided by the United States Department of Justice, the objective of the Weed and Seed Program, and the Federal designation, is to improve the quality of life in an area through coordinated law/code enforcement and community development. A requirement of the Federal grant is the creation of a Weed and Seed Coordinator position to manage and administer the program and all associated reporting. Since inception, the Weed and Seed Coordinator position was funded equally by Stanislaus County and the City of Modesto. The Cost Sharing Agreement formalized the partnership between the two jurisdictions in August of 2006, originally for an 18-month term. The agreement was later amended in June of 2007 to extend it through the anticipated end of the Federal grant or January 1, 2011. As part of the annual Proposed Budget process, funding for the County's contribution was considered and budgeted in Chief Executive Office – Operations and Services. Due to a delay in the award of the Federal funding, the anticipated end of the Federal grant was revised to June 30, 2011. In preparation for this, funding for the County's annual contribution of $44,000 was approved as part of the Adopted Final Budget for Fiscal Year 2010-2011. In order to align the annual funding contribution in the current fiscal year with the grant, an amendment to the Cost Sharing Agreement is necessary. The agreement was originally executed between the Chief Executive Officer and the City Manager and hence it is recommended that an amendment be formalized that would preserve the County's $44,000 annual contribution as well as extend the term of the Cost Sharing Agreement for the Weed and Seed Coordinator position through the end of the fiscal year.

Summary of Recommendations: It is recommended to extend the term of the Cost Sharing Agreement between Stanislaus County and the City of Modesto for the Weed and Seed Coordinator position through June 30, 2011 at the previously approved amount of $44,000 for the County's contribution.

GENERAL SERVICES AGENCY

Central Services Division: The General Services Agency (GSA) - Central Services Division is comprised of three primary business functions: Mailroom/Courier Services, Printing and Warehouse/Salvage services which are supported by an Administration Unit.

The GSA-Central Services Division's Adopted Proposed Budget for Fiscal Year 2010-2011 included appropriations of $1,003,311 funded from department revenue. Due to an overall reduction of revenue of $100,272 over Fiscal Year 2009-2010, the Department requested to delete one filled Stock/Delivery Clerk II position in the GSA-Central Services Administration Unit.

As part of the First Quarter Financial Report for Fiscal Year 2010-2011, the GSA is requesting approval to implement a restructuring of the Central Services Division. The restructuring will include the elimination of Print Services as a support function provided to County departments effective December 31, 2010 due to continuing increases to cost of service, a growing cost disparity with private vendor outsourcing, and a lack of County departmental support for this non-core function.

Approval of this action will result in a reduction-in-force of two filled Senior Multilith Operator positions and one filled Account Clerk III position, which will result a reduction in appropriations and revenue of $132,614 in Fiscal Year 2010-2011, and ongoing annual estimated savings of $344,743. The Department is recommending that any remaining print shop equipment and presses be salvaged, with any proceeds to be deposited as retained earnings at the time of sale or disposition of the asset.

The Department is also requesting approval to implement an Electronic Data Management (EDM) Program as a new core function of the Warehouse/Salvage Unit. The Department is requesting approval to increase appropriations of $82,581 with offsetting revenue of $52,581 from charges for services, the use of $5,818 of one-time Public Facility Fees (PFF) approved by the Public Facility Fees Committee on October 21, 2010, and the use of $24,182 of retained earnings to purchase or lease two state-of-the-art document scanners, licenses and software, and information technology (IT) support that will enable the Department to provide document scanning and document archival services to County departments with start-up activities to begin in January 2011, with full scale operations anticipated to begin in February 2011. Implementation of an EDM Program countywide is anticipated to reduce the need for the storage of hard copy paper files in staff cubicles, offices, warehouses, and will significantly reduce the staff time needed to retrieve the stored files.

Finally, the Department is requesting approval to relocate the mailroom/courier function from County Center III to the 10th Street Place County Administration building.

Approval of the restructuring of the GSA-Central Services Division will continue the implementation of the County's long-range budget strategy to reduce spending, and will result in a reduction to charges for services to County departments.

Budget Unit	Requested			Description
	Appropriations	Revenue	Fund Balance	
GSA - Central Services	($132,614)	($132,614)	$0	Decrease in appropriations and revenue due to a restructuring of the Print Services Division to include elimination of printing as a core function of the Central Services Division.
GSA - Central Services	$82,581	$58,399	$24,182	Increase in appropriations and revenue from charges for services, the one time use of Public Facility Fees (PFF), and the use of retained earnings to purchase scanning equipment to implement an Electronic Data Management Program as a new core function of the Central Services Division.
Total	($50,033)	($74,215)	$24,182	

Staffing Requests: The Department is requesting to delete two filled Senior Multilith Operator positions and one filled Account Clerk III position as a result of the elimination of print services. The Department is further requesting to unfund the following two vacant positions due to a loss of revenue: one Building Services Supervisor position in the Facilities Maintenance budget and one Lead Equipment Mechanic position in the Fleet Services budget as reflected in the table below.

GENERAL SERVICES AGENCY STAFFING REQUESTS AFFECTING ALLOCATION COUNT						
BUDGET UNIT	POSITIONS	POSITION NUMBER	CLASSIFICATION	REQUEST	REASON	RECOMMENDATION
Central Services	-2	3769, 3999	Sr. Multilith Operator	Delete filled positions	Elimination of services	Delete positions/Reduction-In-Force
Central Services	-1	2165	Account Clerk III	Delete filled position	Elimination of services	Delete position/Reduction-In-Force
Facilties Maintenance	-1	6966	Building Services Supervisor	Unfund vacancy	Revenue loss	Unfund vacant position
Fleet Services	-1	4006	Lead Equipment Mechanic	Unfund vacancy	Revenue loss	Unfund vacant position
GSA CHANGES	-5					
BEGINNING ALLOCATION	72					
CHANGES IN ALLOCATION	-5					
ENDING ALLOCATION	67					

Summary of Recommendations: It is recommended to decrease appropriations and estimated revenue by $50,033 and $74,215 respectively, along with an increase in the use of retained earnings of $24,182 as a result of restructuring the Central Services Division's Print Services and Warehouse functions. The recommended changes in staffing are outlined in the staffing table above. The deletions will result in a reduction-in-force action effective January 15, 2011.

SUMMARY

Overall, appropriations and estimated revenue for Efficient Delivery of Public Services are recommended to decrease by $50,033 and by $74,215 respectively. This is funded through the use of $24,182 of available departmental retained earnings.