First Quarter Financial Report
July—September 2008

BOARD OF SUPERVISORS

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Introduction

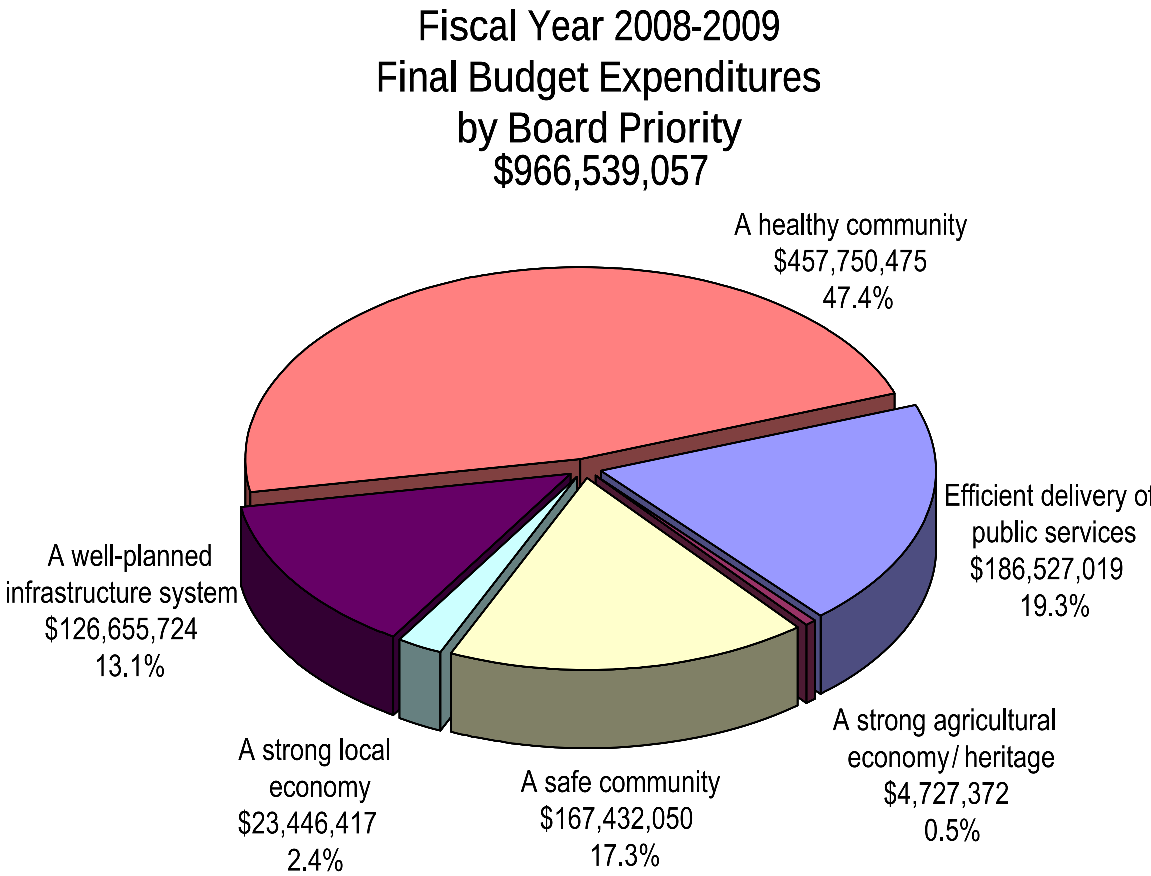
This is the Chief Executive Office's First Quarter Financial Report for the period of July 2008-September 2008 for the 2008-2009 Fiscal Year. It has been prepared to inform the Board of Supervisors, County leadership and the public of the County's fiscal status. The report provides revenue and expenditure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

Summary

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

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

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



Budget Overview

Summary of Adopted Proposed Budget

The Proposed Budget for Fiscal Year 2008-2009 was approved in the midst of a worsening economy and with no final State Budget plan in sight. In addition, the State's projected deficit for 2008-2009 was over $17 billion and continuing to grow. Due to this uncertainty, the Proposed Budget for 2008-2009 was approved as an interim spending plan, with an expectation that significant changes and reductions would occur in the Final Budget.

The Proposed Budget of $957.3 million represented an increase of 1% from the 2007-2008 Final Budget, and was balanced by using over $50 million in one-time funding, $8.9 million of which was for the General Fund. Discretionary revenue estimates were reduced by $3 million from the previous year, due primarily to negative growth predicted in property tax revenue. The County continued on its 16-month budget reduction strategy, initiated in the previous fiscal year, while General Fund departments absorbed an additional 3% targeted reduction. Only very critical unmet needs were funded, although departments submitted $13 million of requests. The Board continued the implementation of its strategic initiatives, including maintaining a no-backfill policy for State and Federal program reductions, and avoiding the use of reserves or designations for operating expenses. It was anticipated that the State Budget would be approved shortly after the adoption of the Proposed Budget, and that changes would be reflected in the Final Budget. The State Budget was subsequently adopted on September 23, 2008, which was a record-breaking delay in the adoption of the State Spending Plan. It is clear that the current year State Budget remains structurally unbalanced with a continued shortfall estimated well in excess of $3 billion.

Summary of Adopted Final Budget

The Final Budget was approved on September 9, 2008, totaling $966.5 million, a 1% increase over the Proposed Budget. The budget was balanced using $54.6 million of one-time funding, $11.9 million of which was for the General Fund. Discretionary revenue was reduced an additional $3.4 million in the Final Budget, due to lower-than-anticipated property tax revenue estimates. General Fund fund balance did not materialize as planned, and was only $5.4 million of the $5.9 million planned in the Proposed Budget. After undesignating $1.8 million in carry-over appropriations from prior year-end encumbrances, however, fund balance available for discretionary purposes was $7.2 million. Additionally, a change in the methodology used in the reserve set aside for tax losses contributed another $4.5 million to fund balance. At the time the Final Budget was approved, the State Budget was not yet adopted, so the significant changes and reductions that were anticipated in the Proposed Budget did not materialize.

Most of the major changes from the Proposed Budget were in the programs with the Board priorities of *A healthy community, A well-planned infrastructure system,* and *Efficient delivery of public services.* The Community Services Agency received an increase in appropriations and estimated revenue of $4 million for child care provider costs, increases in StanWORKS programs and operational support expenses and funding, and a reduction in direct program costs and funding including Mental Health/Substance Abuse Treatment services and Child Welfare programs. The Department of Environmental Resources received an increase in appropriations of $1.2 million in the Fink Road Landfill budget to purchase equipment in support of maintaining adequate capacity for landfill operations and to fund employee cashouts. The Department of Public Works established a budget of $4.9 million in Road and Bridges, through a transfer of Public Facility Fee Regional Transportation Impact Fees (RTIF) for the North County Expressway Corridor Project. The *Efficient delivery of public services* priority decreased by $1.3 million, primarily as a result of the elimination of the Fleet Services – Vehicle Replacement Fund and the reduction in CEO – Appropriations for Contingencies to balance the budget.

The Final Budget deleted three positions in *A safe community* due to State and Federal funding losses. This brought the total number of authorized full-time positions to 4,459.

Due to the lack of a State Budget at the time of the Final Budget adoption, it was anticipated that more changes related to the State Budget would be recommended to the Board of Supervisors during the First Quarter and Mid-Year Financial Reports. This report contains some of those changes, while more will be forthcoming in the Mid-Year Financial Report scheduled for February 24, 2009.

Overall Summary of Requested First Quarter Adjustments

The 2008-2009 First Quarter Financial Report reflects recommended adjustments, a fiscal review of department budgets, and a cash analysis by fund. Departments requested $1,850,000 in total adjustments in the current year spending plan. The Chief Executive Office’s first quarter recommendations include a total increase in appropriations of $1,098,754, which includes transfers from Appropriations for Contingencies totaling $274,453. The recommendations further increase estimated revenue by $1,333,607 including County Match resulting in a decrease in fund balance of $234,853.

The recommended changes occurred primarily within the Community Services Agency and Public Works. The Community Services Agency had an overall net decrease in appropriations and revenue of $1,134,618 as the result of reductions in State funding and reduced Realignment funding. Public Works had a $2,223,536 increase in appropriations and a $2,488,054 increase in revenue as the result of the Department being able to budget Proposition 1B and Proposition 42 now that the State budget has passed and the uncertainty surrounding this funding has been eliminated. The most significant use of Appropriations for Contingencies occurred in *A safe community* priority area with $100,000 being used to provide funding for Cal-MMET.

2008-2009 FIRST QUARTER OVERVIEW

As discussed in the 2008-2009 Final Budget, the County faced a number of challenges as it began the 2008-2009 Fiscal Year.

Capital Improvement Planning (CIP)

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

Stanislaus County considers each capital project in terms of its potential impact on the operating budget. Typical areas of impact include additional staffing, one-time costs not budgeted in the capital improvement plan, ongoing operations and maintenance costs and debt service payments. The planning and needs assessment process includes the initial projection of these costs, so that their impact can be part of the County's long range funding modeling process. The capital project budget for each of the County's building projects is typically established in the County's Capital Projects Fund with all expenditures and funding included in the project budget for the term of the actual building project which may cross one or more fiscal years.

The following capital projects are at varying stages of completion, with some in the initial planning phase only:

Animal Services - Animal Shelter Reuse and Expansion Plan; Community Services Facility - HVAC Repair or Replacement Project; District Attorney - Build Out of District Attorney Office Space; Public Works Department Projects; Parks and Recreation - Regional Water Safety Training Center, Empire Pool; Probation - Juvenile Commitment Facility; and Sheriff - Public Safety Center Expansion and Sheriff's Coroner Facility.

It is likely that the County will need to focus the next steps using an implementation strategy which includes phasing and funding options which reflect monies available to meet these critical needs with primary focus on detention and law enforcement facility needs. It is evident that the approximately $1 billion County share of projects outlined in the CIP, exceed revenues available to fund these critical projects. Due to severe State Budget cuts and decreases in revenue, several of the projects may have to be postponed until additional funding is available.

Health Programs and Services

Significant challenges remain in the area of health and human services. The recently adopted State Budget included many line-item cuts and vetoes in the health, mental health and social services programs that were passed directly to counties. Additionally, the weakened economy has caused a corresponding decrease in Realignment revenues, thereby burdening the financial support of the health and human services departments. The Community Services Agency, faced with numerous reductions to programs vital to the neediest members of the community as well as the loss of Realignment revenue, has "unfunded" a total of 85 positions in an effort to spare direct services and maintain existing programs. It is anticipated that any further State-driven budget reductions will have a negative impact on these programs such as Adult Protective Services, Child Welfare Services and StanWORKS programs. Also, the In-Home Supportive Services (IHSS) program is anticipated to increase by $9.7 million based on the Board approved agreement with United Domestic Workers of America for IHSS Individual Provider wage increases and projected caseload growth. This includes a County Match exposure of $1.7 million as identified in the 2008-2009 Proposed Budget. This exposure will be reviewed at mid-year and additional funding will need to come from the Appropriations for Contingencies budget.

Behavioral Health and Recovery Services (BHRS) continues to face significant structural funding shortfalls in providing its core programs and services. The recently adopted State budget reduced funding to BHRS by approximately $830,000 for core programs. The Department is developing strategies to resolve these reductions which will be included in the Mid-Year Financial Report. At the same time, State funding for the Mental Health Services Act (Prop 63) has increased for specific new programs that serve a much smaller number of individuals. However, this funding may also be in jeopardy as a result of language in the State Budget, which allows the State to "borrow" these funds at the State level, without a set repayment schedule. Such a borrowing may prevent the State from allocating the funds to counties, further diminishing resources in an already under funded program area.

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

Labor Relations

The County currently has long term agreements in place with a majority of County bargaining units. One labor agreement will expire during the current fiscal year with the Sheriff's Management Association.

Negotiations with this group will begin in the coming months with a new agreement to be effective in March 2009.

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

Property Tax

For the first time in at least 30 years the property tax levy is showing a decline over the previous year's levy. Revenue received from the collection of property taxes is the County's greatest source of discretionary revenue and projections were reduced during the Final Budget process to reflect this decline of 3.3%. Amounts received through first quarter are historically minimal as the initial collections and distributions of property tax occur during the second quarter of the fiscal year as a result of the December 10, 2008 deadline for the first installment. As the year progresses a more accurate picture will form and any necessary adjustments will be made during the mid-year process.

CASH REVIEW

General Fund Overall Cash Position

As of first quarter the General Fund cash balance was at $29 million compared to $37.4 million for the same period last fiscal year. The $8.5 million decrease is primarily due to a program administered by the County, referred to as the Teeter Program, where the County advances the full amount of property taxes due to all public agencies in exchange for the delinquencies and penalties prior to the full collection of property tax revenue. The dramatic downturn in the housing market and the unprecedented high rate of foreclosures, along with reductions in consumer spending in Stanislaus County has created a reduction in cash.

In addition, when comparing the first quarter to the fiscal year-end close of 2007-2008, General Fund cash is at $29 million compared to $66 million. This reduction can primarily be attributed to the timing of the receipt of property tax payments and sales tax revenue. This cash is used to cover all General Fund expenses associated with operation of the County including payroll. The County does not receive any property tax payments until December and only a small percentage of sales tax revenue in the first quarter. As a result there is a sharp reduction in cash in Treasury during the first quarter of the fiscal year.

Special Revenue Funds Overall Cash Position

As of first quarter the Special Revenue Funds cash is at $61.8 million compared to $56.7 million for the same period last fiscal year. The primary reason for the $5.1 million improvement when compared to the same period last fiscal year is the increase of $10.5 million in Behavioral Health and Recovery Services as a result of the sale of the Stanislaus Behavioral Health Center and an increase in Mental Health Services Act (Prop 63) funds received from the State.

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

- The cash balance for Alliance WorkNet – STANWorks budget has increased by $.5 million as the result of increased contract funding from the Community Services Agency to serve local Temporary Aid to Need Families (TANF) recipients and the timing of processing the Alliance WorkNet's contract reimbursement request;

- The cash balance for Alliance WorkNet – Clearing Pool budget has decreased by $.8 million primarily as a result of a significant increase in the number of County residents requesting Alliance WorkNet services based on the current economic downturn. Additionally, the Alliance WorkNet has also begun efforts to increase program capacity to meet the additional demand for services;

- The cash balance for the Children and Families Commission budget has decreased by $.6 million as the result of the Commission's decision to systematically and consciously spend down its fund balance until reaching its reserves policy limit (the amount of cash equivalent to one year's operating costs);

- The cash balance for the Department of Child Support Services budget has increased by $.7 million as the result of savings in salaries, benefits, and other operational costs as well as the timing, receipt of revenue, and timely claiming of reimbursement from the State;

- The cash balance for the Planning Building Permits budget has decreased by $.7 million as the result of the decrease in Building Permit revenue and the use of fund balance through June 2008 to cover Department costs. A reduction-in-force was implemented in May 2008 to significantly reduce costs and the dependence on department fund balance;

- The cash balance for the Public Works budget has decreased by $5.7 million as the result of the delay in reimbursements and the process for awarding Public Facility Fees (PFF) projects. The cost of the contract is transferred from the PFF fund to the Roads fund. Then, contract payments are made from the Road fund. There were more PFF projects under construction in Fall 2007 than Fall 2008, accounting for the variance;

- The cash balance for the Sheriff's CAL-ID budget has decreased by $.5 million as the result of the purchase of fingerprint processing equipment;

- The cash balance for the Library budget has decreased by $.9 million as a result of the Library's decision to utilize available fund balance to address the decline in sales tax revenue in the prior year. A reduction-in-force was implemented in July 2008 to reduce costs and the dependence on department fund balance;

- The cash balance for the Community Services Agency's budgets has increased by $2.1 million as the result of the timing of receipt of State and Federal Funds; and

- The cash balance for the Health Services Agency's budgets has decreased by $.4 as the result of a timing lag in the distribution of costs between the Special Revenue Funds and the Department's Enterprise Fund.

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

- The cash balance for Alliance WorkNet – Clearing Pool budget has decreased by $1.4 million as the result of the timing of the receipt of funds from the State. Typically, this fund reflects a negative cash balance throughout the operating year as reimbursement from the State is requested on a monthly basis with the exception of first quarter where it is requested quarterly;

- The cash balance for the Department of Environmental Resources budget has decreased by $.9 million due to timing of department billing to users;

- The cash balance for the Department of Child Support Services budget has increased by $4.4 million as a result of a delay in the first quarter reimbursement;

- The cash balance for the Public Works Department – Road and Bridge budget has increased by $.8 million as the result of the State retaining Highway User's Tax (Gas tax) funds from April 2008 through September 2008. All retained funds were received September 2008;

- The cash balance for the Public Works Department – Engineering budget has decreased by $.6 million as a result of the timing of billing to the Department's users;

- The cash balance for the Behavioral Health and Recovery Services' budget has decreased by $2.7 million as the result of a timing lag in the receipt of State and Federal funding;

- The cash balance for the Community Services Agency's budget has decreased by $5 million as the result of the authorized use of departmental fund balance and the timing lag in the receipt of State funding due to the late adoption of the State Budget; and

- The cash balance for the Health Services Agency's budget has decreased by $1.6 million as the result of a timing lag in the receipt of State and Federal funding and in the distribution of costs between the Special Revenue Funds and the Department's Enterprise Fund.

Capital Projects Funds Overall Cash Position

As of the first quarter the Capital Projects Funds cash position is at $34.7 million compared to $27.4 million for the same period last fiscal year. The positive $7.3 million cash position this fiscal year over last is primarily due to an increase of $3.5 million to the Redevelopment Agency Housing Set-Aside budget as a result of a change to the methodology to compute the Housing Set-Aside portion of the tax increment, as determined by the 2006-2007 financial audit findings.

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

- The cash balance for the Redevelopment Agency has increased by $1.1 million as a result of interest earned on the bond money received for the Keyes Storm Drainage Infrastructure Project; and

- The cash balance for CEO - Public Safety Center Jail Expansion Capital Project has increased by $1.9 million. Originally cash of $2 million was designated to the capital project as the result of transferring in Public Facility Fees for the first phase of the project, and $1.9 million of cash remains.

In addition, in comparing first quarter to the fiscal year-end close of 2007-2008, the Capital Projects Fund cash is at $34.7 million compared to $35.9 million. The primary reason for the decline in cash of $1.2 million when compared to the previous fiscal year's close is a $1.1 million decrease in the Redevelopment Agency. This decrease in cash is the result of the commencement of the Keyes Storm Drainage Infrastructure Project expected to break ground in early 2009.

Enterprise Funds Overall Cash Position

As of the first quarter the Enterprise Funds cash is at $20.4 million compared to $3.1 million at the same period last year. The primary reason for the $17.3 million improvement when compared to the same period last fiscal year is the increase of $8.5 million in the Behavioral Health and Recovery Services' Stanislaus Behavioral Health Center (SBHC) fund resulting from the sale of SBHC to Doctors Medical Center that occurred in October 2007.

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

- The cash balance for Fink Road Landfill has increased by $2.8 million as the result of the sale of land and increased use of the Fink Road Landfill;

- The cash balance for the Health Services Agency's Clinics and Ancillary Services has increased by $4.4 million as the result of the Federally Qualified Health Center Look-Alike (FQHC-LA) designation's increase in Federal reimbursement rates; and

- The cash balance for the Transit fund has increased by $1.3 million as the result of Proposition 1B funds, available to counties and cities to fund the maintenance and improvement of local transportation facilities, that were received from the State in June 2008.

In addition, in comparing first quarter to the fiscal year-end close of 2007-2008, the Enterprise Funds cash is at $20.4 million compared to $19.3 million. The primary reason for the $1.1 million improvement when compared to the previous fiscal year's close is an increase of $697,000 in the Geer Road Landfill resulting from the transfer of funds from the Geer Road Closure/Post Closure account into the Geer Road operating fund at the beginning of Fiscal Year 2008-2009. The cash balance for the Transit fund has increased by $374,000 as the result of Local Transportation Funds (LTF) rolled-over by the State from the prior fiscal year. These funds are used in part for the operations of the County's intercity public transportation system, Stanislaus Regional Transit (StaRT).

Internal Service Funds Overall Cash Position

As of first quarter the Internal Service Funds cash is at $37.9 million compared to $32.1 million for the same period last fiscal. The primary reason for the $5.8 million improvement when compared to the same period last fiscal year is the increase of $3.2 million in Risk Management - Workers' Compensation Self-Insurance fund is a result of increased safety awareness and reduction in claims costs.

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

- The cash balance for Strategic Business Technology (SBT) and SBT - Communications has increased by $1.2 million as the result of delayed billing from AT&T, salary savings, and above average Telecom charges collected due to moves, adds, changes, and one annual service agreement;

- The cash balance for Public Works - Morgan Shop has increased by $.3 million as the result of increased vehicle rental by the Road and Bridge division; and

- The cash balance for Risk Management - Professional Liability Self - Insurance fund has increased by $1.1 million as the result of not using retained earning to fund a portion of the premium costs for the Health Services Agency and Behavioral Health Recovery Services. In addition, a decrease in expenditures this fiscal year is attributed to the timing of the payment for premium costs.

In addition, in comparing first quarter to the fiscal year-end close of 2007-2008, the Internal Service Funds cash is at $37.9 million compared to $40 million. The primary reason for the decline in cash of $2.1 million when compared to the previous fiscal year's close is a $1.4 million decrease in the Risk Management General Liability Self-Insurance Fund. This decrease is the result of the use of $1 million in retained earnings to assist in the balancing of the 2008-2009 Proposed Budget in addition to the premium costs for General Liability being paid during the first quarter, while the majority of revenue to offset this expense is received on a bi-weekly basis throughout the fiscal year.

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

- The cash balance for Public Works – Morgan Shop has decreased by $.5 million as the result of the use of fund balance for the purchase equipment; and

- The cash balance for Risk Management – Unemployment Insurance Self-Insurance budget has decreased by $.2 million as a result of the use of retained earnings to assist in the balancing of the 2008-2009 Proposed Budget.

GENERAL FUND UPDATE

General Fund – Designations

General Fund designations totaled $48,755,695 at the beginning of the current fiscal year. Designations are funding set aside by the Board of Supervisors for future and restricted use. There are no recommended changes to designations as part of the First Quarter Financial Report.

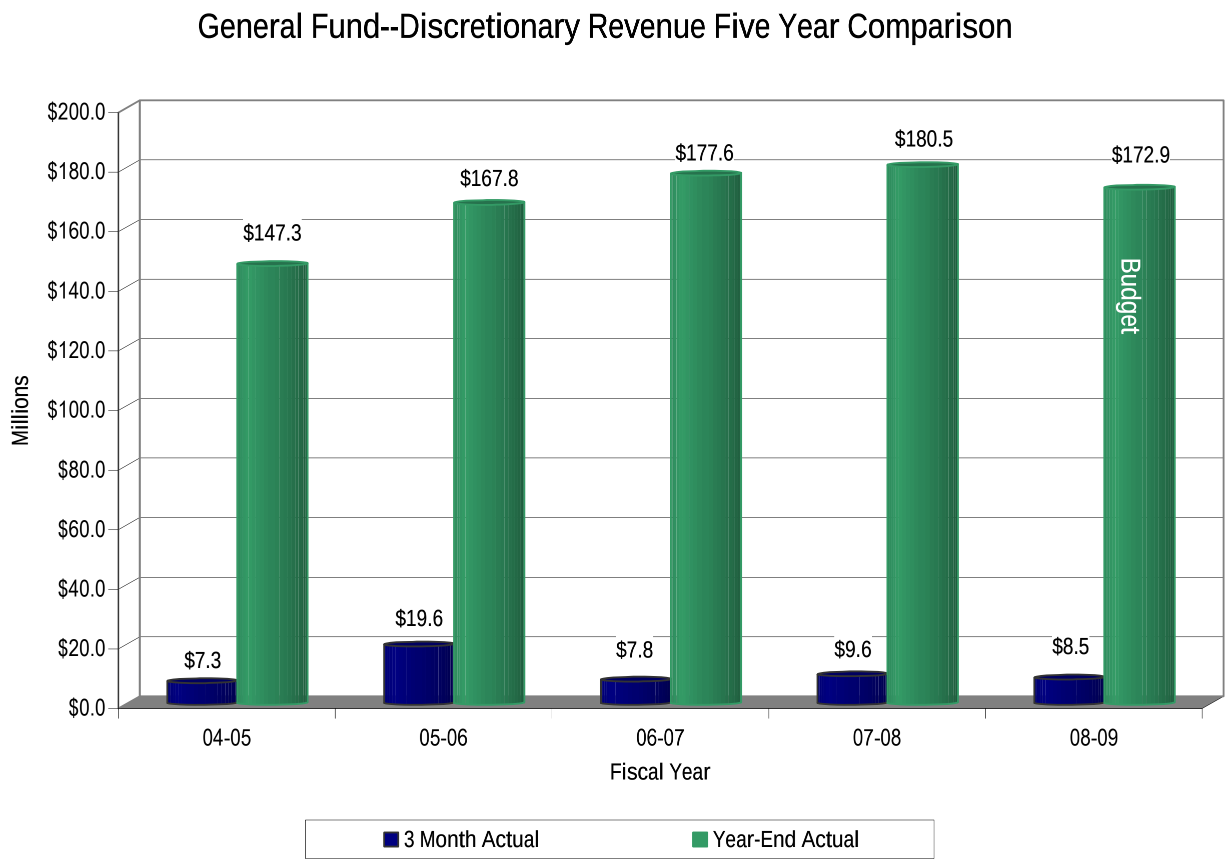
The designations as approved by the Board of Supervisors as part of the Final Budget are reflected in the following chart:

Designations	Fiscal Year 2008-2009 Total Designations	
Debt Service	$	11,779,459
Contingency	$	9,691,758
Tobacco Settlement	$	1,696,799
Tobacco Securitization	$	202,508
Restricted	$	1,300,000
Parks Project (Other)	$	979,379
Litigation (Other)	$	2,757,614
Facility Mtce & Improve (Other)	$	1,000,000
State 1A Funding Exposure (Other)	$	4,516,707
Capital Improvement Investment (Other)	$	8,691,959
Carryover Appropriations (Fund 100)	$	4,605,329
Carryover Appropriations (Fund 105)	$	34,183
Carryover Appropriations (Fund 107)	$	1,500,000
Total Designations	$	48,755,695

Discretionary Revenue

As of first quarter actual discretionary revenue was $8.5 million compared to $9.6 million for the same time period one year ago. This amount represents 4.9% of the 2008-2009 Final Budget. Typically, discretionary revenue at this point of the fiscal year ranges from 4.4% to 5.3% of the total amount budgeted when looking at the prior five years (excluding Fiscal Year 2005-2006. A one-time payment was received in September of 2005 from the State for the Vehicle License Fees Gap Loan repayment). Since we are within the five 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 may be necessary during the mid-year process. Two areas of particular concern and probable exposure are supplemental property tax revenue and Proposition 172 Public Safety sales tax revenue. As property values have decreased so has the supplemental property tax revenue that is the product of an increase in value when property changes hands. Although too early to tell, the possibility exists that very little supplemental tax revenue may be realized in this fiscal year. The revenue received from the ½ cent Public Safety sales tax is currently down from that received in the first quarter of last year and a downward adjustment to the rate used in determining the amount distributed to the County is expected. Notification of the new pool rate is normally made in mid-November or later.

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



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, 2008 total expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A safe community* are $39.6 million compared to $37.1 million for the same period one year ago. This amount represents 23.3% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the year range anywhere 22.6% to 24.1% of the total annual expenditures, placing this year within the two year average.

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

- A $154,935 decrease in the Animal Services Donations Trust budget due to the reduction in charges from Veterinarians as a result of the limit placed on the sale of Stanislaus County Alternative to Euthanasia (SCATE) vouchers;

- An increase of approximately $96,839 in the Jail Medical budget as a result of the annual contract increase;

- An approximate increase of $500,000 in the Public Defender and Indigent Defense budget as the result of: vacation and termination cashouts; rent charges being applied in the first quarter that previously were not posted until mid-year; healthcare increases; increased indigent defense costs and a new contract with the two conflict firms;

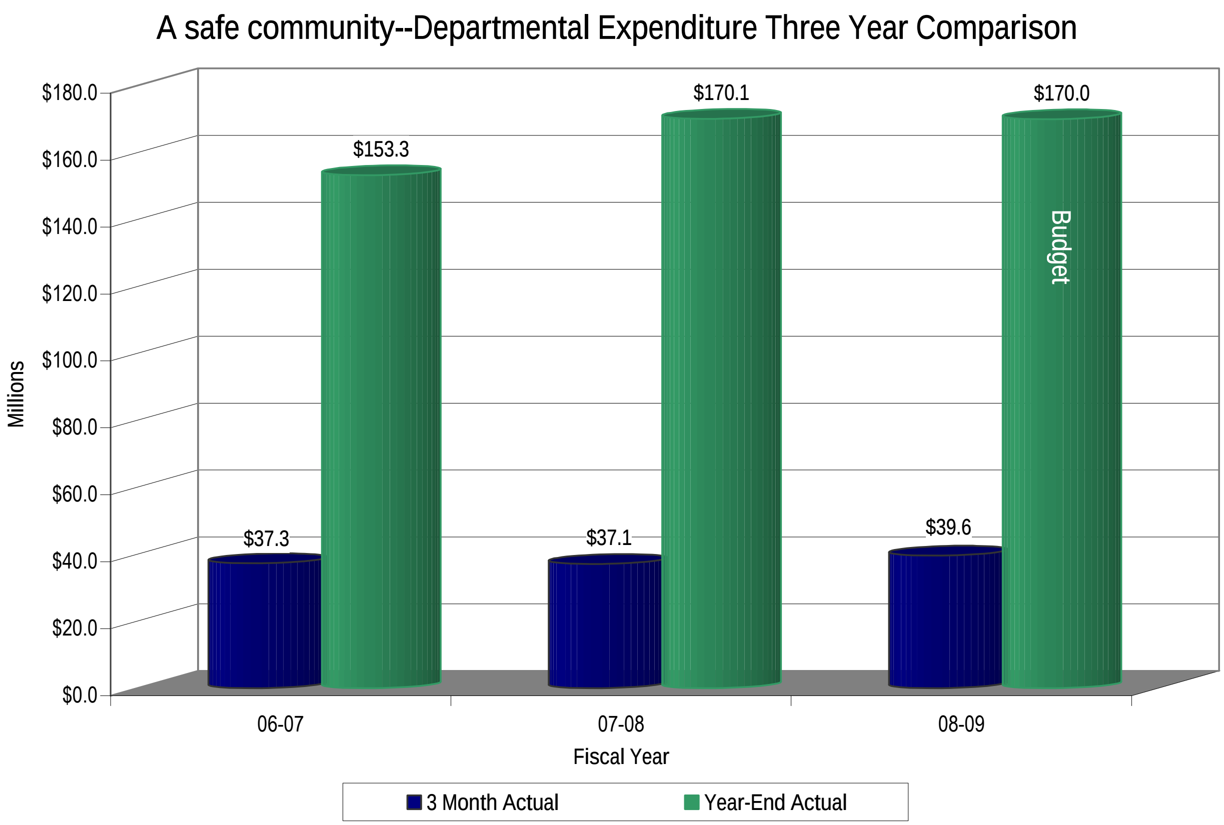
- Approximately $243,220 of increased actual costs over the prior year in the District Attorney Criminal budget for increased salary, and increased utility and building maintenance/janitorial costs;

- An increase of approximately $202,596 in actual costs in the Probation Field Services, as the result of increased retirement, salary and group health insurance costs;

- An approximate $1.4 million increase in expenditures in the Sheriff's budgets including Administration, Detention, Court Security, Ray Simon Training Center and Contract Cities, as the result of termination cashouts, increased health benefit costs, increased staffing for Contract Cities, Court Security and the Ray Simon Training Center and increases in building maintenance costs due to changes in how these cost are allocated in the General Fund; and

- An approximate increase of $243,220 in the CEO - Criminal Justice Facilities budget as the result of a portion of the rent distribution for the building at 1021 I Street being moved to the first quarter of the fiscal year, to better reflect actual costs by quarter.

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*:



DEPARTMENTAL REVENUE

As of September 30, 2008, revenue for the departmental budgets that fall under the Board of Supervisors priority area of *A safe community* total $5.7 million, compared to $7.9 million for the same period one year ago. This amount represents 11.9% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 17.10% to 19.30% of the total year's collections, placing this year's revenue well below previous years.

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

- An increase of approximately $63,893 in revenue primarily due to an increase in license fees and court fine revenue in Animal Services;

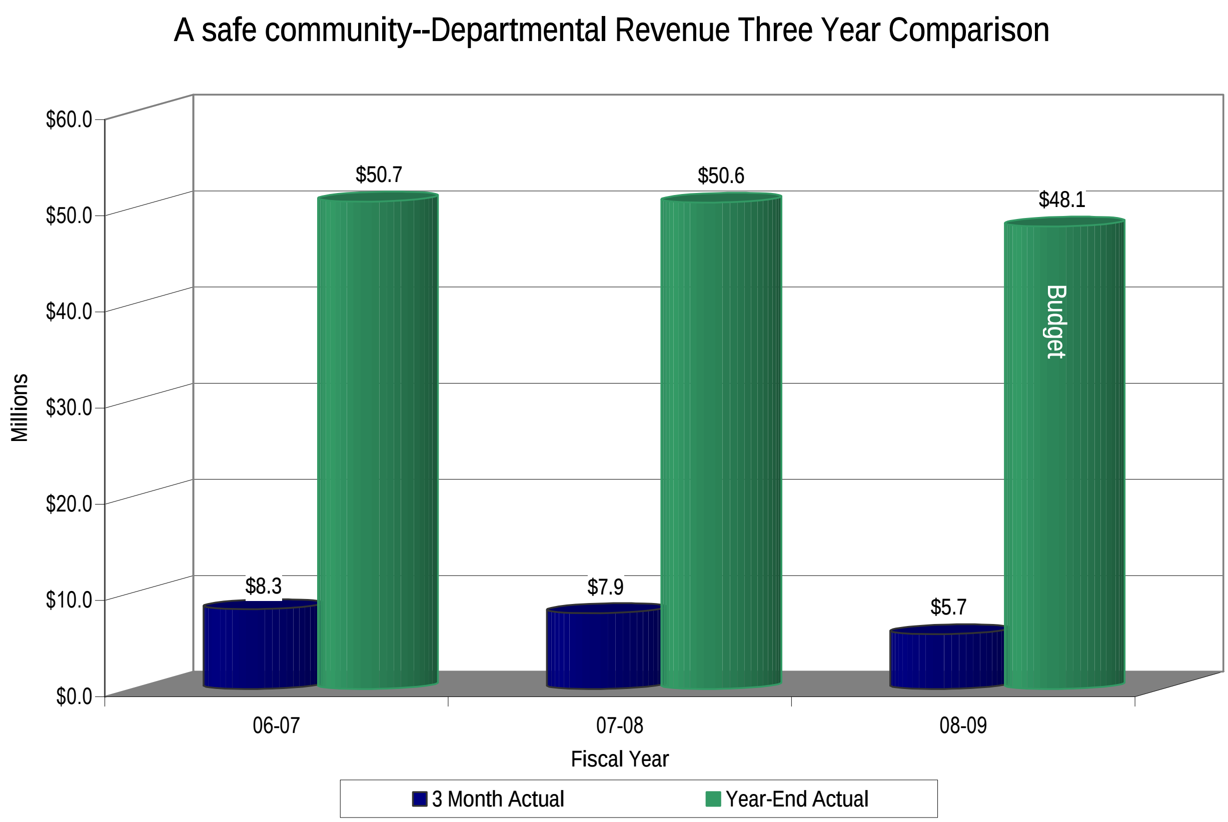
- A combined $2.3 million decrease in revenue for the Sheriff's budgets including Detention, Contract Cities and Court Security, due to a delay in the billing of first quarter claims. Revenue should be in line at mid-year;

- A $159,152 increase in revenue collected in the Sheriff's Court Security budget, as the result of new contract with the Stanislaus County Courts for increased staffing to support new court rooms and judges;

- A $157,374 decrease in revenue in Chief Executive Office - County Court Funding, as a result of delayed revenue from the State, and fines being paid on payment plans instead of in lump sums. The revenue, along with funding from the General Fund is used to fund the County's maintenance of effort obligation for Court Facilities; and

- An overall $53,833 net increase in revenue in the District Attorney's Office, as the result of an increase in revenue of $100,130 in the District Attorney Criminal Division due to timelier billing and receipt of revenue, a decrease in revenue in Special Operations due to loss of revenue in the Real Estate Fraud unit (fewer fees from transfer of properties) and loss of revenue in the Victim Witness program.

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:*



FIRST QUARTER ISSUES AND RECOMMENDATIONS

ANIMAL SERVICES: As part of first quarter, Animal Services is requesting a $36,950 increase in revenue and appropriations. In June 2007 the department damaged a vehicle that will cost approximately $50,840 to replace. The Department will receive $36,950 in insurance reimbursements. Animal Services is also requesting to move $13,890 from the Fleet Depreciation account to a Fixed Assets account in order to purchase the service vehicle. There will be no impact to the Department's net county cost for this purchase.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Animal Services	$36,950	$36,950		Replacement vehicle	
Animal Services	$13,890			Increase Fixed Assets for vehicle purchase	
Animal Services	($13,890)			Decrease Other Charges	
Total	$36,950	$36,950			

Summary of Recommendations: It is recommended to increase revenue and appropriations by $36,950 and to move $13,890 from Other Charges into Fixed Assets in order for the Department of Animal Services to purchase a replacement vehicle.

CHIEF EXECUTIVE OFFICE – COUNTY COURT FUNDING: A technical adjustment to the appropriations of the County Court Funding budget is requested in order to purchase and install a new 100 gallon water heater in the main courthouse boiler room. The courthouse and downtown jail currently share a water heater. In preparation for the transfer of the courthouse to the responsibility of the State it is necessary that the jail and courthouse function as independent units. It is recommended that $14,000 of existing Services and Supplies appropriations be transferred to Fixed Assets in order to accommodate this request.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CEO - County Court Funding	$14,000			Increase Fixed Assets for water heater purchase and installation	
CEO - County Court Funding	($14,000)			Decrease Services and Supplies	
Total	-0-				

DISTRICT ATTORNEY:

Criminal (General Fund): The Department is requesting an increase in appropriations of $25,000 for extraordinary costs associated with the Columbus Allen, Jr. capital murder trial. It is recommended that this request be funded from Appropriations for Contingencies. An additional request is made to increase appropriations by $94,000 to fund a vacant Criminal Investigator II position for the remaining nine months of the fiscal year. The department currently has a vacant Criminal Investigator position but funding for this position has been reallocated to other core needs as part of the Department's balancing strategy for this fiscal year. In recent years, the department has assisted the local law enforcement agencies at an increasing rate because of the experience and expertise of the District Attorney's Investigators. With the passage of "3% at 50" retirement package for law enforcement, local law enforcement agencies lost, and continue to lose, their experienced investigators and experienced officers have found employment with other agencies. This has dramatically increased the workload for the District Attorney investigators evidenced by the increase of overtime hours recorded. It is recommended that an increase in appropriations in the amount of $75,556 be authorized to fund this vacant position for eight months, beginning November 1, 2008. The amount of $83,556 for the full eight months has been decreased by $8,000 which is the estimated balance of the General Fund Match remaining after all the expenses in the Spousal Abuser Program grant have been funded through October 31, 2008. It is recommended that this request be funded from Appropriations for Contingencies. In addition the department has requested to transfer in an Interviewer II position from the Spousal Abuser Program (SAP) budget and fund the position within existing appropriations. This transfer would allow the department to continue to provide services to victims of domestic violence and support prosecution efforts.

Automobile Fraud Prosecution: The final award letter for this program included an augmentation of $1,733 to the original grant amount. Additionally, grant revenue from the prior year was received in this fiscal year. There were no corresponding expenditures in last fiscal year and the granting agency normally allows the unspent amount to carry-forward and be added to the following year's appropriated amount. The department requested to increase overall appropriations by $6,341, funded by the augmented revenue and $4,608 in carry-forward funds.

A Paralegal III position is currently shared by both the Workers' Compensation Fraud budget and the Auto Insurance Fraud Prosecution budget. The Workers' Compensation Fraud budget is being dissolved due to a loss of funding and the Department is requesting the transfer in of a Paralegal III position from the Workers' Compensation Fraud budget to this budget since this program funds almost all of this position. It is recommended that the position be transferred into the Automobile Fraud Prosecution budget and that appropriations and revenue be increased by $1,733. Because this is not a normal State budget year and the carry-forward of funds from last year's award have not yet been approved it is recommended that this request be re-evaluated during the mid-year process before granting the $4,608 increase.

Spousal Abuser Prosecution (SAP): In a completely unexpected move, the entire statewide Spousal Abuser Prosecution Program (which investigates and prosecutes domestic violence as well as providing much needed services to victims) was cut from the State Department of Justice's budget. At this time the Department must delete appropriations equal to the amount of the lost revenue of $102,080 from this legal budget. A County Match contribution funds the remaining $46,109 in program costs. The state organization representing District Attorneys from all over the state is looking at ways to have this program reinstated for Fiscal Year 2009-2010. Currently, there are two filled full-time allocated positions in this budget, an Interviewer II and Criminal Investigator II position. The Domestic Violence Interviewer position is crucial to the residents of Stanislaus County as domestic violence cases are the largest workload in the Victim Services Unit. Therefore, the Department requests to retain the Interviewer position in this budget, along with the authorized County Match, and to delete the Investigator position at this time. The County Match funding is sufficient (along with a small contribution from the department's base budget) to fund the Interviewer II position and keep the program supported while working towards reinstatement of the State's funding for the program. Because of the County's no back-fill policy, it is recommended that the Interviewer position be transferred to the Criminal budget and the Department has agreed to fund it from within existing appropriations. The Criminal Investigator II position is recommended for deletion. Since the deletion of this program was unexpected and occurred so late in the fiscal year, it is appropriate to allow the County Match contribution to fund the expenditures through month ending October 31, 2008. Any County Match that remains after covering the expenses in the grant are recommended to be transferred to the District Attorney Criminal budget to offset a portion of the their increased investigative costs. It is recommended to reduce appropriations and estimated revenue in the SAP budget by $102,080.

Vertical Prosecution Block Grant: The granting agency has imposed an overall 10% reduction to this program resulting in a loss of $35,021 in revenue to the County. There is sufficient County Match to cover current positions so it is recommended to reduce both appropriations and estimated revenue in the amount of $35,021.

Victim Services Program: This program is funded by a grant from the State Office of Emergency Services from two sources of funds. One source is federal pass-through funding provided via the Victims of Crime Act (VOCA), and the other source is State funding. The VOCA funding portion has been cut by 15% and additional State cuts are anticipated. Currently, there are six filled full-time allocated positions in this budget, one Victim Services Program Coordinator and five Interviewer II positions. Without knowing the full impact of any further cuts, it is requested that one filled Interviewer II position be deleted and appropriations and revenue be decreased by $22,813. This will require approval of a reduction-in-force action effective December 5, 2008.

Workers' Compensation Fraud Prosecution: The Proposed Budget included funding in the amount of $76,586 for this program. At that time, the Department chose not to fill the investigator and prosecutor positions due to the lack of a viable caseload, but assign cases to staff in other units as necessary and invoice the State for reimbursement. Since that time, the Department of Insurance has chosen not to fund this program at all, and the District Attorney is requesting to delete the budgeted appropriations and revenue of $76,586.

A Paralegal III position is currently shared by both the Workers' Compensation Fraud budget and the Auto Insurance Fraud Prosecution budget. Since the Workers' Compensation Fraud budget is being dissolved due to loss of funding, the Department is requesting to transfer out one filled Paralegal III position from the this budget to the Auto Insurance Fraud Prosecution budget. In addition, the Department is requesting to delete two vacant positions, one Attorney V and one Criminal Investigator II.

Budget Unit	Requested			Description	Staffing
	Appropriations	Revenue	Fund Balance		
DA – Criminal Division	$25,000			Additional costs associated with capital murder trial from Appropriation for Contingencies	
DA – Criminal Division	$75,556			Fund Criminal Investigator II from Appropriations from Contingencies	
DA – Criminal Division				Transfer position from Spousal Abuser Prosecution budget	Transfer in one Interviewer II position
DA – Automobile Fraud Prosecution	$1,733	$1,733		Augmentation to grant award	Transfer in one Paralegal III position
DA – Spousal Abuser Prosecution	($102,080)	($102,080)		Department of Justice program cuts	Transfer out one Interviewer II position to Criminal budget and delete one Criminal Investigator II position
DA – Vertical Prosecution	($35,021)	($35,021)		10% State grant reduction	
DA - Victim Services	($22,813)	($22,813)		15% reduction in federal funding	Delete one filled Interviewer II position, resulting in a reduction-in-force
DA - Workers' Compensation Fraud Prosecution	($76,586)	($76,586)		Discontinuance of program funding	Delete one Attorney V and one Criminal Investigator II position. Transfer out one Paralegal III position.

Budget Unit	Requested			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Total	($134,211)	($234,767)			

Summary of Recommendations: It is recommended to reduce appropriations by $134,211, decrease estimated revenues by $234,767 and fund the $100,556 shortfall from Appropriations for Contingencies. It is also recommended to delete one Attorney V and one Criminal Investigator II position and to transfer one Paralegal III position from the Workers' Compensation Fraud budget to the Automobile Fraud Prosecution budget. It is further recommended to delete one Criminal Investigator II, one filled Interviewer II position, and transfer one Interviewer II position from the Spousal Abuser Program budget to the Criminal budget, decreasing the Department's total allocated positions to 143. A reduction-in-force action is recommended for one filled position effective December 5, 2008.

PROBATION: Two budgets within the Probation Department were directly impacted by the reductions in the State Budget.

Juvenile Justice Crime Prevention Act: The Juvenile Justice Crime Prevention Act (JJCPA) allocation was reduced 10% in the State Budget. This reduction resulted in a $163,322 decrease to the Probation Department's JJCPA State allocation. The Department is requesting to reduce appropriations beyond the reduction in revenue in order to conserve the use of fund balance. The Department had originally planned to use $48,935 in JJCPA fund balance in order to balance its budget. The Department is now going to conserve fund balance in the event there are further reductions in State funding or increases in program cost.

Field Services: The State Budget also eliminated funding for Mentally Ill Offender Crime Reduction (MIOCR) grant program and reduced funding by 10% for the Substance Abuse Crime Prevention Act (Prop 36). Funding for the MIOCR grant is allocated by the State to the Sheriff's Department who is responsible for distribution. Funding for this program was eliminated from the State Budget resulting in a decrease in funding of $105,000 to the Probation Field Services budget. The 10% reduction in funding for Proposition 36 resulted in a $54,501 reduction to the Probation Field Services budget. The Department is requesting to reduce appropriations and revenue in the Probation Field Services budget to reflect the decrease in budget. As a result of the reductions in the MIOCR and Prop 36 funding the Department requested to delete one Deputy Probation Officer II and one Legal Clerk III position associated with the MIOCR grant and to delete one Legal Clerk III and two Deputy Probation Officer II positions associated with Proposition 36. The Department had originally requested to delete three Deputy Probation Officer II positions but one of the three positions will be reallocated to Field Services funded by Appropriations for Contingencies. The Department had requested in the Proposed Budget to add one Deputy Probation Officer II position that is needed as a result of a new judge being assigned to juvenile court in August 2008. Instead of adding a position, one of the three Deputy Probation Officer positions the Department had requested to delete will be reallocated to support the new judge. The additional cost of $73,897 is recommended to be funded through Appropriations for Contingencies.

In addition, the Department requested a reorganization study be conducted of management positions allocated to Field Services, Institutional Services and JJCPA budgets.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Probation - JJCPA	($212,257)	($163,322)	($48,935)	Decrease in State Allocation for JJCPA. Decreasing use of fund balance	
Probation - Field Services	($105,000)	($105,000)		Elimination of MIOCR	Delete one vacant, unfunded Deputy Probation Officer II and one vacant unfunded Legal Clerk III position
Probation - Field Services	($54,501)	($54,501)		Decrease in Prop 36 funding	Delete one vacant, unfunded Deputy Probation Officer II and one vacant unfunded Legal Clerk III position
Probation - Field Services	$73,897				Reallocation of one Deputy Probation Officer II from Prop 36 to Field Services to support new judge. Funded from Appropriations for Contingencies
Probation - Field Services, Institutional Services and JJCPA				Reorganization of management positions	Study
Total	($297,861)	($322,823)	($48,935)		

Summary of Recommendations: It is recommended to decrease appropriations by $297,861, reduce estimated revenue by $322,823 and reduce the use of fund balance by $48,935. A total of $73,897 is recommended to be transferred from Appropriations for Contingencies to cover the additional expenditures for the Deputy Probation Officer II position being reallocated to support the new judge. Additionally, it is recommended to delete two Deputy Probation Officer II and two Legal Clerk III positions due to reduced funding in the MIOCR grant and Prop 36 decreasing the Department's total current allocated positions to 236. Lastly, it is recommended that a reorganization study be conducted of management positions that include two Chief Deputy Probation Officer and three Manager III – Safety positions.

SHERIFF:

Detention: The Sheriff's Detention Division is expecting to experience 10% revenue reductions in COPS (Community Oriented Policing Services) funding and in booking fee revenue due to State Budget constraints. The COPS revenue funds a portion of a Custodial Sergeant working at the Men's Jail. It is recommended that the Department reduce revenue and overtime appropriations by $16,970 to compensate for this reduction. An $83,000 revenue loss as the result of the booking fee reductions will directly impact the net county cost of the Detention program. Rather than charging booking fees to the already over-burdened cities, it is recommended that the County's General Fund absorb this loss.

As a result of the State Budget completely eliminating the Mentally Ill Offender Crime Reduction (MIOCR) revenue it is recommended that appropriations and estimated revenue be reduced in the amount of $567,405. Due to the loss of funding the Department is requesting to delete one Deputy Sheriff-Custodial position. Additional impacts of this loss of funding include the discontinuance of services to the mentally ill offenders and are more far reaching since the Sheriff acts as the lead agency in this program and passes a large portion of the funds on to the Probation Department and to Behavioral Health and Recovery Services.

The Department is requesting the downgrade of one Lieutenant position to Custodial Lieutenant. This position is assigned to the Men's Jail and has been underfilled with a Custodial Lieutenant since July 2006. This position was originally allocated as a Lieutenant to have a Peace Officer status as defined in Penal Code section 830-832.17 but with the addition of Stanislaus County to Penal Code section 830.1 (c) in 2007 which allows for a Deputy Sheriff-Custodial to have Peace Officer status while carrying out their primary duties directed by their employing agency during a local state of emergency this position is no longer required to be allocated as a Lieutenant. Downgrading this position will allow the Department to correctly classify and allocate resources between the three detention facilities and the Bureau of Administrative Services.

Finally, it is also recommended to reduce appropriations and estimated revenue by $165,213 as a result of the loss of the Amador County contract for preparation of inmate meals.

Operations: The Operations Division of the Sheriff's Department is expecting to see a 10% reduction in two revenue sources as a result of the adoption of the State Budget. The loss of $22,000 in COPS (Community Oriented Policing Services) funding will result in reduction of overtime appropriations in the Patrol Division. An $8,629 reduction of Juvenile Justice Crime Prevention Act (JJCPA) funds effects a contract between the Probation Department and the Sheriff's Department which has provided a Detective to work with High Risk Juveniles. Probation will reimburse the Sheriff for $91,371 rather than the $100,000 included in the final budget and overtime hours will be cut as a result. It is recommended that appropriations and estimated revenue be reduced by $30,629 to offset the loss of State revenue.

The Sheriff is also requesting to transfer the appropriations and estimated revenue for the Central Valley High Intensity Drug Trafficking Area – Stanislaus San Joaquin Meth Taskforce (CVHIDTA-SSJM) from a Trust and Agency Fund to the General Fund. The CVHIDTA-SSJM taskforce works in partnership with the California Multi-jurisdictional Methamphetamine Enforcement Taskforce (Cal-MMET) and the Stanislaus Drug Enforcement Agency (SDEA). The teamwork and expertise of these task forces has enabled the Sheriff to target mid to large level poly drug trafficking organizations in the Central Valley. The funding enables the Sheriff to target and follow those cases up the ladder to those fiscally responsible for operating the poly drug organizations. In previous fiscal years the revenue and expense appropriations were reported in an Agency Fund as the Sheriff's Department served as the fiduciary for the entire CVHIDTA. Effective January 1, 2008 the fiduciary responsibility was transferred to the Sacramento County Sheriff's Department. It is recommended that the appropriations and estimated revenue in the amount of $273,995 be transferred to a new budget unit within the Sheriff-Operations legal budget in the General Fund.

Finally, the Department is requesting to make a technical adjustment transferring $19,000 of existing Service and Supplies appropriations to Fixed Assets to allow the Coroner's Facility to purchase a coroner and medical examiner case management software system. It is recommended to approve this transfer.

California Multi-jurisdictional Methamphetamine Enforcement Team (Cal-MMET): As stated in the Final Budget document, the State of California Office of Emergency Services suspended funding of this program from July 1, 2008 until the State Budget was approved. The Sheriff requested that the Board of Supervisors authorize the use of $250,000 in contingency funding to cover these costs at current levels until an award was determined. With the passage of the State Budget the Cal-MMET program experienced a 34% reduction in funding statewide, resulting in a projected award to Stanislaus County of $784,153, down from the $1,068,068 projected by the Sheriff in the Proposed Budget. At this level of funding, the Cal-MMET program will fund the cost of a Sergeant (currently allocated as a Lieutenant), four Detectives, a Legal Clerk and a Criminal Investigator II in the District Attorney's Office in addition to operating supplies and equipment for the remaining nine months of the fiscal year. While the initial funding request was for $250,000, the Sheriff's Department has implemented budget reductions of approximately $150,000 addressing a significant portion of the State reduction in this program. The revised request of $100,000 combined with the projected Cal-MMET award of $784,153 will result in a revised budget of $884,153. The probability that the full Cal-MMET funding will be restored if Proposition 6 passes, combined with the aggressive action taken by the Sheriff to address the funding reduction, points to the sustainability of this program without continued assistance from the General Fund. It is recommended that the existing appropriations be reduced from $1,068,068 to $884,153 to be funded from the projected awarded amount of $784,153 and $100,000 from the County's Appropriations for Contingencies through County Match.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Sheriff - Detention	($16,970)	($16,970)		Decrease due to reduction in COPS funding	
Sheriff - Detention		($83,000)	$83,000	Decrease Booking Fee revenue	
Sheriff - Detention	($567,405)	($567,405)		Decrease in MIOCR revenue and appropriations	Delete Deputy Sheriff-Custodial Position
Sheriff - Detention	($165,213)	($165,213)		Decrease due to loss of Amador County contract	

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Sheriff - Detention				Downgrade one Lieutenant position	Custodial Lieutenant
Sheriff - Operations	($22,000)	($22,000)		Decrease due to reduction in COPS funding	
Sheriff - Operations	($8,629)	($8,629)		Decrease due to reduction in JJCPA revenue	
Sheriff - Operations	$273,995	$273,995		Increase due to transfer of HIDTA from Agency funds	
Sheriff - Operations	$19,000			Increase Fixed Assets to purchase software for Coroners Office	
Sheriff - Operations	($19,000)			Decrease Services and Supplies for software	
Sheriff – Cal-MMET	($283,915)	($283,915)		Decrease due to reduction in State funding	Downgrade one Lieutenant position to Sergeant
Sheriff – Cal-MMET	$100,000	$100,000		Transfer from Appropriations for Contingencies through County Match for first quarter costs	
Total	($690,137)	($773,137)	$83,000		

Summary of Recommendations: It is recommended to reduce appropriations by $690,137, reduce estimated revenues by $773,137 and use $100,000 from Appropriations for Contingencies through County Match to fund first quarter Cal-MMET costs and allow the $83,000 reduction in jail booking fees to be calculated into the Department's net county cost. Additionally, it is recommended to downgrade two Lieutenant positions one to a Sergeant and one to a Custodial Lieutenant and to delete one Deputy Sheriff Custodial position, decreasing the Department's total position allocation to 675.

SUMMARY

Overall, estimated revenue and expenditures at the first quarter of the 2008-2009 Fiscal Year, for the Board of Supervisors priority area of *A safe community* are recommended to decrease $1,293,777 and $1,085,259 respectively. Additionally, use of fund balance is recommended to increase $34,065. A total of $274,453 is recommended to be transferred from Appropriations for Contingencies to cover the additional expenditures in the District Attorney's Office and Probation Department, including $100,000 be transferred to cover the shortfall in Cal-MMET.

A healthy community

COUNTY DEPARTMENTS

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

A healthy community

OVERVIEW

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

DEPARTMENTAL EXPENDITURES

As of September 30, 2008, expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A healthy community* are at $82.6 million compared to $85.6 million for the same period one year ago. This amount represents 18% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 18.3% to 19% of the total yearly expenditures, bringing this year slightly below the two year average.

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

- A $20,000 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 $2.5 million net decrease in the Behavioral Health and Recovery Services' budgets. This budgeted decrease is primarily due to the sale of the Stanislaus Behavioral Health Center to Doctors Medical Center that occurred in October 2007;

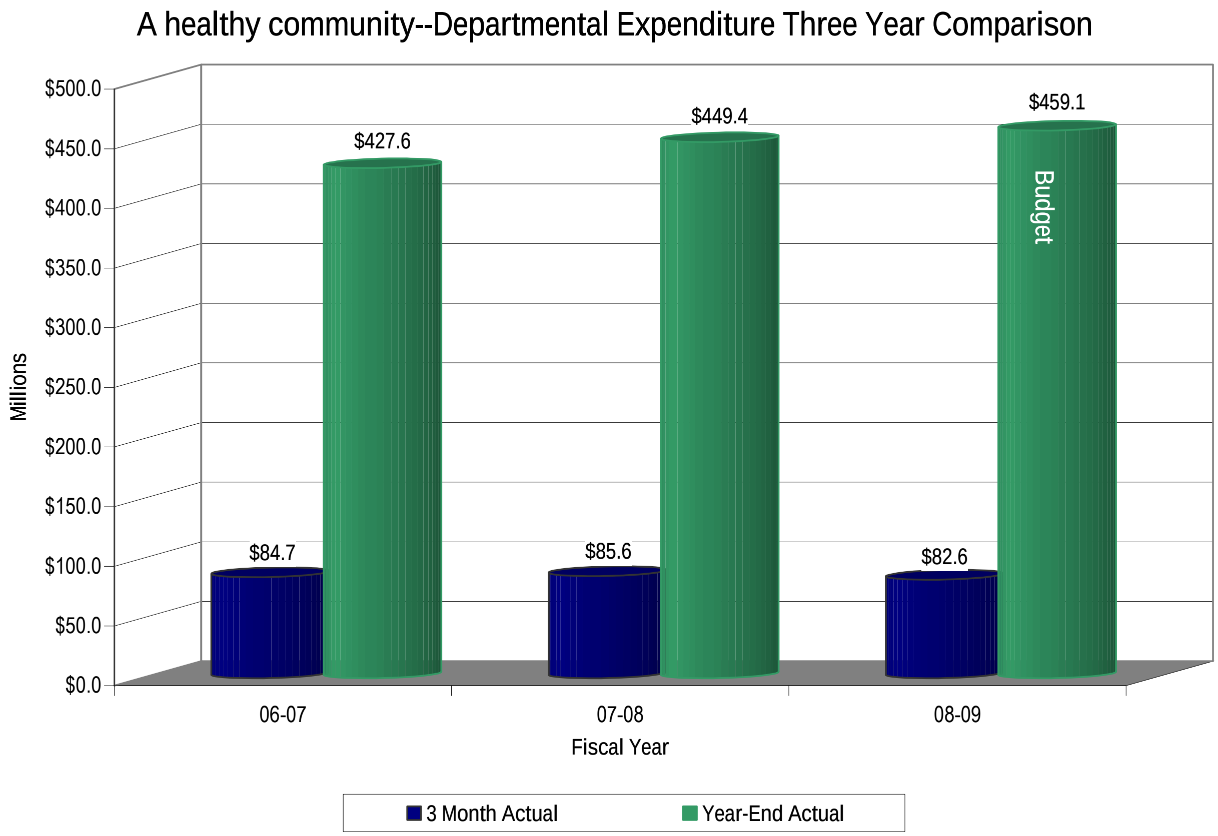
- A $230,000 net increase in the Children and Families Commission budget. This is primarily due to timing of receipt of contractor invoices;

- A $140,000 net increase in the Child Support Services budget. This is primarily due to budget increases in health insurance costs and salary increases due to overtime required for conversion of State system;

- A $140,000 net increase in the Community Services Agency's budgets. This is primarily due to a budgeted increase in assistance payments in Public Economic Assistance funded by increases in State and Federal revenues; and

- A $1 million net decrease in the Health Services Agency's budgets. This is primarily due to implementation of strategic operating efficiencies in the Clinic and Ancillary Services budget.

The following chart shows a three year period of departmental expenditures, including the current year, for



the departments assigned to the Board of Supervisors priority area of *A healthy community:*

DEPARTMENTAL REVENUE

As of September 30, 2008 revenue for the departmental budgets that are a part of the Board of Supervisors priority area of *A healthy community* are at $55.1 million compared to $54.9 million for the same period one year ago. This amount represents 12.3% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 12.3% to 12.4% of the total year collections, bringing this year slightly below the two year average.

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

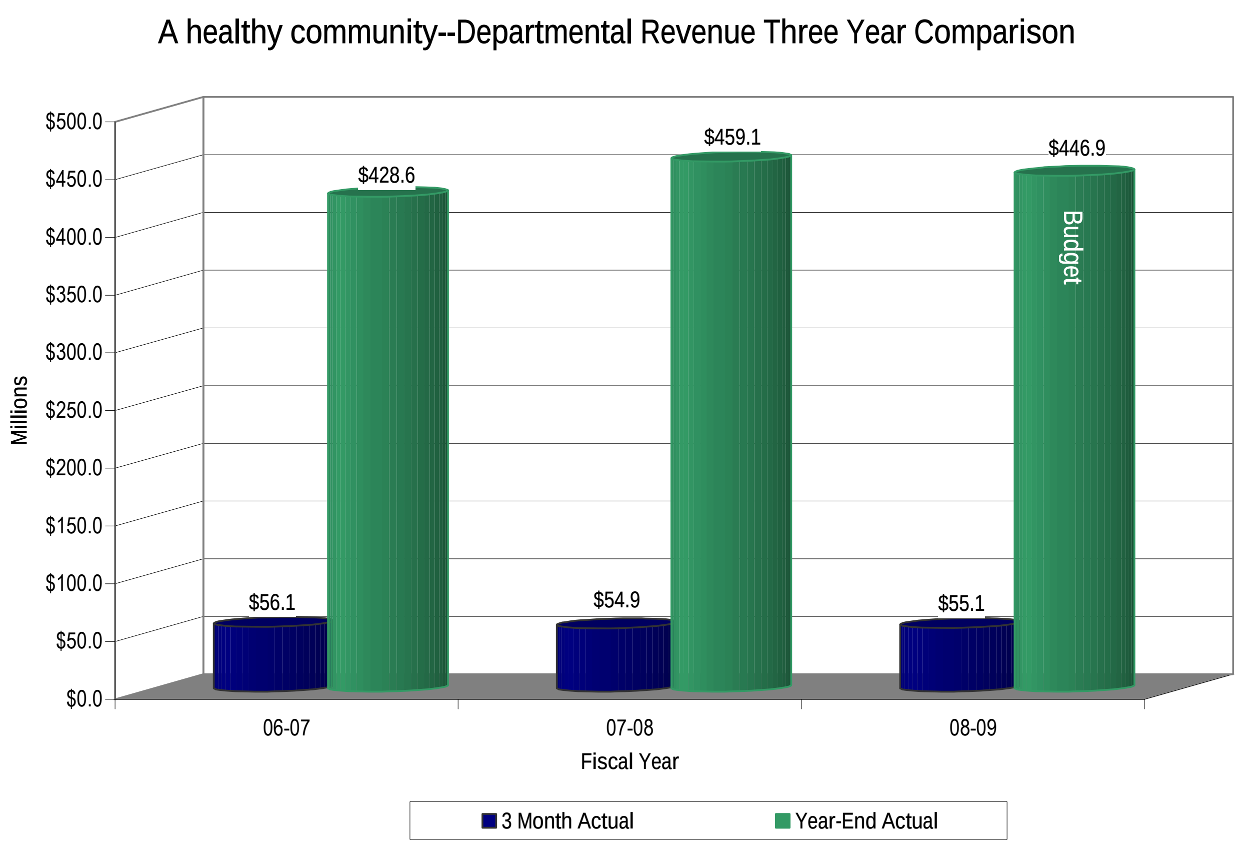
- A $30,000 net increase in the Area Agency on Aging and Veterans' budgets. This is primarily due to timing of receipt of State and Federal funding;

- A $2.3 million net increase in the Behavioral Health and Recovery Services' budgets. This is primarily due to budgeted increase in State funding for Mental Health Services Act programs that supports new programs outside the core services provided by the Department;

- A $1.45 million net increase in the Community Services Agency's budgets. This is primarily due to increased State and Federal funding for services related to the In-Home Supportive Services Program and an increase in funding for Public Economic Assistance payments; and

- A $3.6 million net decrease in the Health Services Agency's budgets. This is primarily due to a planned decrease in the one-time General Fund addition made last year in County Match funds to the Clinic and Ancillary Services budget, a decrease in realignment revenue and timing of receipt of State and Federal funds.

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



FIRST QUARTER ISSUES AND RECOMMENDATIONS

AREA AGENCY ON AGING: In the Final Budget for Fiscal Year 2008-2009, the Area Agency on Aging (AAA) identified total critical unmet needs of $107,791 for increased staffing costs, step increases, health benefits, and increased facility maintenance charges. As part of an overall budget balancing strategy in the

Proposed Budget for Fiscal Year 2008-2009, the Department considered a reduction-in-force (RIF), which could have a negative fiscal impact to the Family Caregiver and Linkages programs serving senior citizens throughout Stanislaus County.

The Department completed a detailed review of their unfunded request and their overall cash position and determined that in order to maintain current staffing and service levels and to avoid a reduction-in-force, an overall additional General Fund contribution of $60,486 in Fiscal Year 2008-2009 would be needed. At Final Budget, it was recommended to increase the Department's appropriations by $20,000, funded by the use of existing departmental fund balance and to review the remaining critical unmet need of $40,486 at the Mid-Year Financial Report to the Board of Supervisors in February 2009.

At first quarter, AAA is requesting an increase in appropriations of $40,486 to fund an existing Social Worker for the remainder of the 2008-2009 Fiscal Year. The position provides case management services to low-income seniors who utilize the Linkages, Family Caregiver Program, and HICAP. Other County funded programs such as Adult Protective Services, Multipurpose Senior Service Program (MSSP), and In-Home Supportive Services (IHSS) rely heavily on the Social Worker position in emergency situations such as the severe heat wave of 2007-2008. During this event, the Social Worker played a key role collaborating with the Office of Emergency Services to conduct outreach to over 1,000 high-risk seniors residing in mobile home parks throughout the County to assess if they needed immediate assistance during the severe weather conditions. As part of their original request, the Department requested to fund the increase of appropriations through the use of departmental fund balance of $10,000 and $15,219 previously approved for lease payments by the Public Facility Fees Committee and by the Board of Supervisors in the 2005-2006 First Quarter Financial Report.

At this time, it is recommended to increase departmental appropriations by $25,000 using $9,781 of departmental fund balance, and by $15,219 from Public Facility Fees (PFF), and increase estimated revenue in the amount of $15,219 from Public Facility Fees previously approved for lease payments by the Public Facility Fees Committee and by the Board in the 2005-2006 First Quarter Financial Report. This will leave a remaining shortfall of $15,246 which will be reviewed at Mid-Year.

Last, the final State Budget recommended budget reductions of $13.1 million statewide to local Area Agencies on Aging. As a result of these State reductions, the Department has requested a decrease of $49,835 in appropriations and revenue for contracted services and administration. Due to reduced State funding, the local AAA Administration budget was reduced by $630. The Ombudsman Program, administered through a contract with Catholic Charities, was reduced by $27,852. The overall reduction of 30% to this program may reduce the provider's ability to monitor long-term care facilities throughout the County. As a result, it may be more difficult to investigate, document, and report elder abuse cases at long-term care facilities. Catholic Charities has made a commitment to continue to operate the program at a reduced funding level through the remainder of the fiscal year. The Title V Senior Community Services Employment Program, administered through a contract with Alliance WorkNet, was reduced by $13,090. The purpose of this program is to help people age 55 or over find meaningful employment in nonprofit or public organizations in their community. Participants continue contributing to the community and remain viable members of the nation's workforce, while assisting organizations and their clients. The Alliance WorkNet has made a commitment to fund and implement these services for the remainder of the fiscal year using existing appropriations and through an in-kind contribution. The Transportation program was reduced by $1,220, the Homemaker Program was reduced by $3,367, and the Senior Legal Assistance Program was reduced by $3,676. Although the impact to seniors in our community during this fiscal year is anticipated to be minimal, should the State reduce funding for programs and services in the next fiscal year, the impact on services provided to seniors in the County are likely to be heavily impacted.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
AAA	$25,000	$15,219	$9,781	Use of PFF revenue and fund balance for salary shortfall	
AAA	($49,835)	($49,835)		Decrease appropriations and revenue due to reduced State funding for contracted services and AAA administration	
Total	($24,835)	($34,616)	$9,781		

Summary of Recommendations: It is recommended to decrease departmental appropriations by $24,835 and to decrease revenue by $34,616, and to use departmental fund balance of $9,781.

CHILD SUPPORT SERVICES: In the Proposed Budget for Fiscal Year 2008-2009, the Department of Child Support Services (DCSS) budget identified major State funding decreases in Maintenance and Operation (M&O) and Printing budgets for moving from multiple automated consortia systems, to a State unified automated system for supporting child support enforcement and for print and mail costs, transferred to the State Office of Printing totaling approximately $834,225 as a result of migrating and converting to the statewide Child Support Enforcement System (CSE). Based on the anticipated level of State funding available for Fiscal Year 2008-2009, the Department maintained all existing vacant positions, established a no fill policy for any additional vacancies, and began preparing for a reduction-in-force (RIF). The reduced funding level was included in the Department's Proposed Budget as approved by the Board on June 10, 2008.

On September 9, 2008, the Board approved a reduction-in-force (RIF) of 21 filled positions and the deletion of 41 vacant positions at the Department of Child Support Services due to major State Budget reductions for this program.

For the past seven fiscal years, the Department has been held to flat funding from the State with no cost of living increase granted. During this time, the Department has maintained current staffing levels and has funded health insurance, retirement, cost of living (COLA), and performance evaluation increases through the use of the State's annual allocation and by using departmental fund balance, as well as relying on salary savings from the vacancies.

At this time the Department is requesting to increase intergovernmental revenue by $14,181 to enter into an agreement for professional legal services with the Mariposa County Department of Child Support Services through April 10, 2009. Through this contract, one attorney from the Stanislaus County

Department of Child Support Services will provide legal services one day weekly. The additional revenue generated from this contract will decrease the Department's use of fund balance in the current fiscal year by approximately $14,181. The Child Support Services budget is projected to end the year within budgeted appropriations and revenues with a positive fund balance.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Child Support Services		$14,181	($14,181)	Increase in intergovernmental revenue for an agreement for legal services with Mariposa County	
Total		$14,181	($14,181)		

Summary of Recommendations: It is recommended to increase revenue by $14,181 through an agreement for legal services with the Mariposa County Department of Child Support Services through April 10, 2009. This will result in a decrease in the Department's use of fund balance.

COMMUNITY SERVICES AGENCY: As a result of the State Budget for 2008-2009, the Community Services Agency will receive reduced levels of funding for various programs. Additionally, the weakening economy has resulted in a decrease in realignment revenue projections. Realignment revenues are funded through a ½ cent State sales tax enacted in 1991 and through a dedicated portion of the Vehicle License Fees (VLF). This revenue source is used to fund some or all of the county share of cost in specific health, mental health and social services programs. In order to balance the reduction in funding of $1.3 million along with a realignment reduction of approximately $314,000 which affected targeted programs, the Agency reviewed programs and operations to develop the strategies that would produce a savings and continue to support the most critical functions.

The reductions include suspended funding for 22 vacant or soon-to-be vacant positions, for a total of 85 unfunded positions in the current fiscal year and a reduction in the amount of contract support provided to the Stanislaus Children's Council, for a total savings of $1,492,046. Additionally, the Department is recommending reductions of $119,170 to service contracts and $25,000 to program-specific training in the CalWORKs division. The remaining realignment revenue shortfall of approximately $147,565 resulted in an unmet County share of cost to the Agency. To avoid further program cuts, the Agency will resolve this shortfall through the use of fund balance originally budgeted for Audit Contingency. The Agency will update its projections and estimated General Fund need with known allocations along with six months actual realignment receipts and request any necessary adjustments and program changes at the mid-year budget review.

As part of the Final Budget for 2008-2009, the Department identified an exposure of $649,164 for Stage I Child Care. The Final Fiscal Year 2008-2009 State Budget reflected an increase for Stage 1 Child Care that eliminates this exposure.

In-Home Supportive Services (IHSS) Program: Total estimated expenditures for Fiscal Year 2008-2009 IHSS Individual Provider (IP) Proposed Budget were $51,154,527 as negotiated with the labor union representing the providers, United Domestic Workers (UDW). This projection generated an unmet need of $1,764,374 at the bottom line, which held County cost to a flat level of $8,007,788. Due to the uncertainties of the State Budget, the IHSS IP Proposed Budget level of $41.4 million was not increased at Final Budget to reflect the increased allocation of State funds and associated County Match. This was because various State Budget proposals suggested significant change to the funding for this program. So far, no State Budget actions have been taken to reduce this program's obligation, and as a result, the Department continues to identify General Fund support of $1,764,374 to support the IHSS Program in Fiscal Year 2008-2009. The total cost increase to the IHSS program is $9,791,200 for the 2008-2009 Fiscal Year.

It is important to note that the Fiscal Year 2008-2009 UDW settlement figures approved by the Board were based on a growth rate of 5.4%. The actual Fiscal Year 2007-2008 expenditures reflected a caseload growth experience of 8.2%. As a result, a current total estimate for IHSS IP in Fiscal Year 2008-2009 based on this growth factor would equate to $52,570,015 (excludes Provider Benefits budgeted in Fund 1641). With this projection, the County General Fund need would grow to $1,855,071. This is an additional County exposure of $90,697 from the original Proposed Budget request. Note that this does not include additional costs and County share requirements that would need to be reviewed for Public Authority support. The Agency will continue to monitor monthly IHSS caseload and request necessary adjustments to appropriations and General Fund match at mid-year, including all changes necessary to fully fund the IHSS IP program.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CSA - Services & Support	($1,492,046)	($1,492,046)		Salaries reduction due to final State Budget and Realignment decreases	
CSA - Services & Support	($119,170)	($119,170)		StanWORKs contract reductions	
CSA - Services & Support	($25,000)	($25,000)		StanWORKs training reduction	
CSA - Services & Support	($147,565)	($147,565)		Redirection of Audit Contingency due to Realignment decrease	
CSA - Services & Support	$649,163	$649,163		State and Federal funding for Child Care increase for provider payments	
Total	($1,134,618)	($1,134,618)			

Summary of Recommendations: The recommendations will decrease overall department appropriations and estimated revenue by $1,134,618 from State and Federal funds.

HEALTH SERVICES AGENCY: The department has requested that ten positions be studied for possible reclassification and creation of a new classification to accurately reflect the work performed. Currently one Accounting Technician and six Account Clerk III positions are assigned to the Central Business Office and perform medical billing functions. In addition, three Account Clerk III positions assigned to the Indigent Health Care Program (IHCP) perform medical processing of claims. The medical billing and processing functions require knowledge of insurance and medical coding that is not required by the current Account Clerk III job specification.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
HSA - Administration				Reclassify one Accounting Technician and six Account Clerk III positions	Study
HSA - IHCP				Reclassify three Account Clerk III positions	Study
Total					

Summary of Recommendations: It is recommended to study one Accounting Technician and nine Account Clerk III positions, maintaining the Department's total position allocation of 600.

SUMMARY

Overall, estimated revenue and expenditures for *A healthy community* departments are recommended to decrease $1,155,053 and $1,159,453, respectively and result in a positive contribution of departmental fund balance of $4,400. 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. The majority of funding for the County's Economic Development Bank budget comes from the County's General Fund.

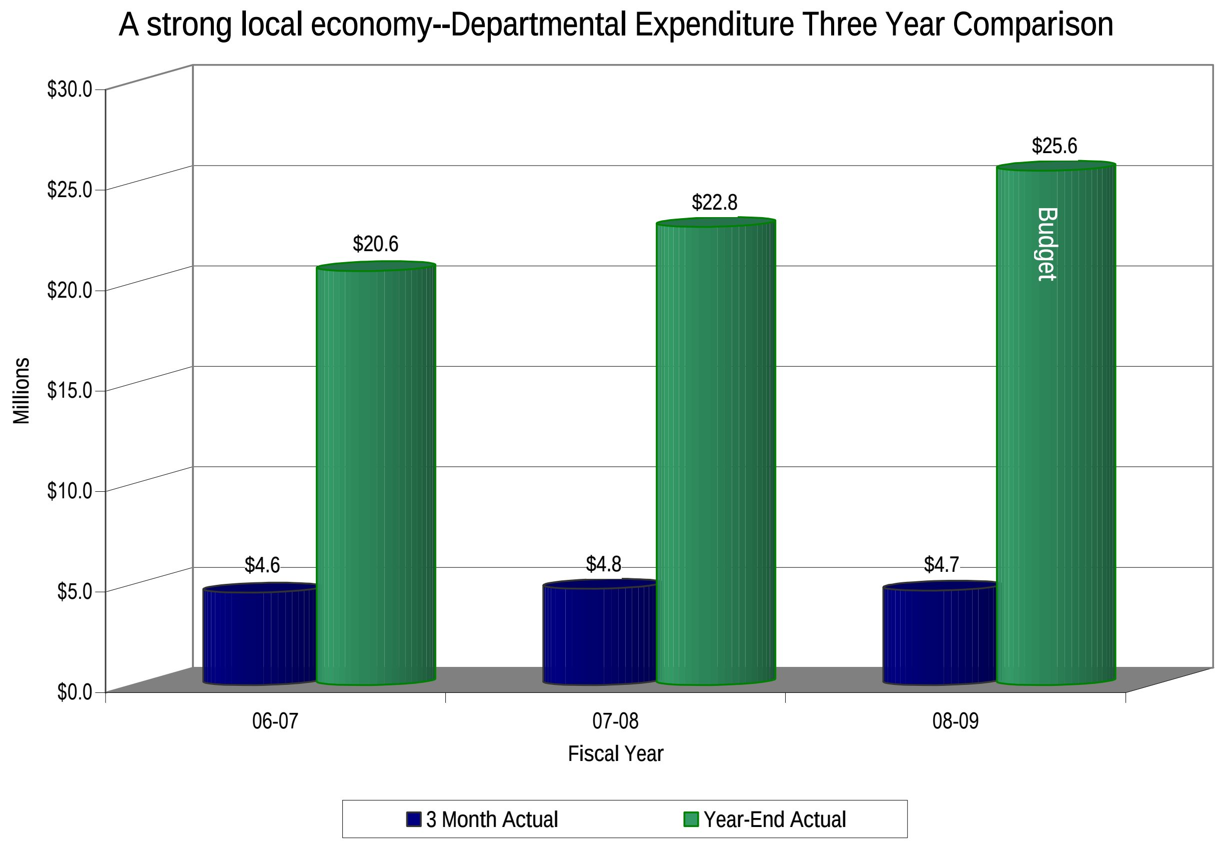
DEPARTMENTAL EXPENDITURES

As of September 30, 2008, expenditures for the departmental budgets that fall under the Board of Supervisors priority area of *A strong local economy* are at $4.66 million compared to $4.79 million for the same time period one year ago. This amount represents 18.2% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the fiscal year are 15.6% of the total yearly expenditures, placing this year slightly higher than the two year range.

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

When comparing the Fiscal Year 2008-2009 adjusted budget to Fiscal Year 2007-2008 actual year-end expenditures, the amount is greater by approximately $2.8 million. This variance is a product of the Fiscal Year 2007-2008 year-end actual expenditures in *A strong local economy* priority area materializing well below the approved budgeted appropriations for that year as a result of conservative spending in response to the decline in the economy.

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



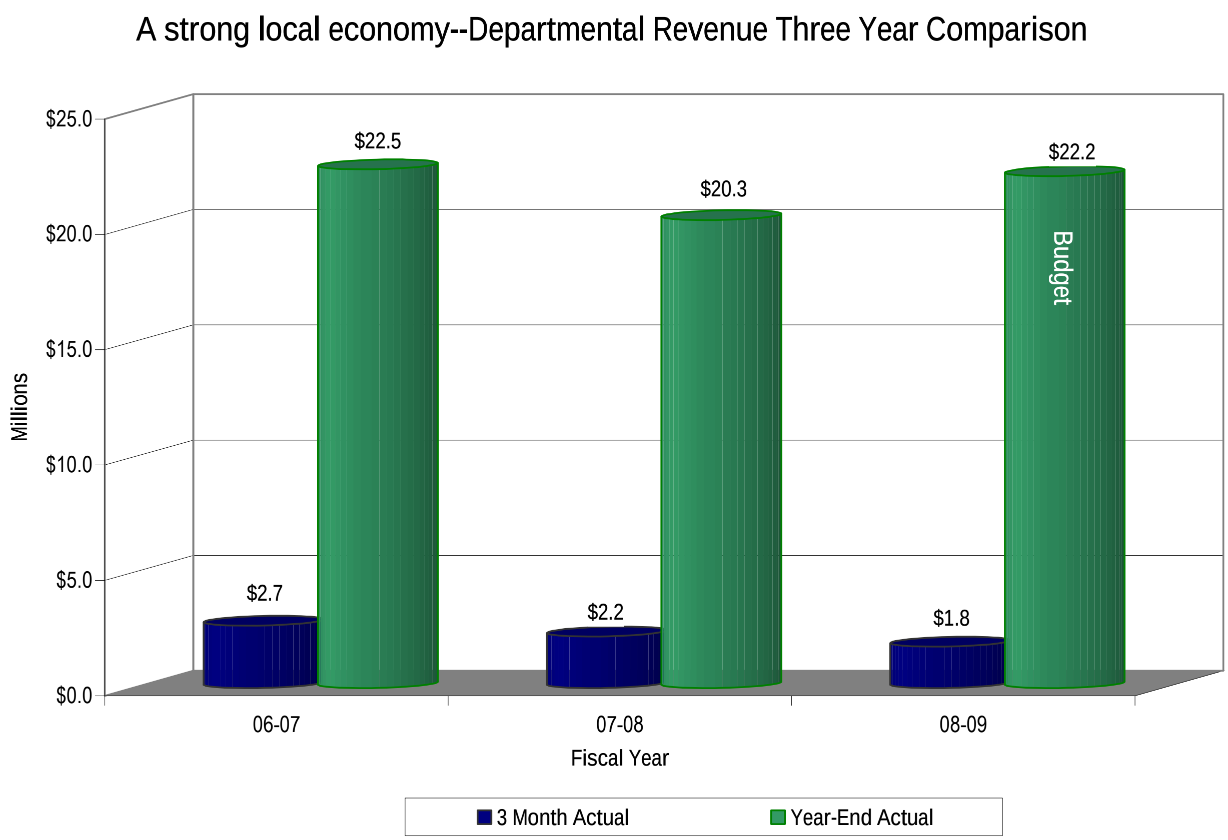
DEPARTMENTAL REVENUE

As of September 30, 2008, revenue for the departmental budgets in the Board of Supervisors priority area of *A strong local economy* are at $1.79 million compared to $2.24 million for the same time period one year ago. This amount represents 8.1% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 9.9% to 12.1% of the total year collections, placing this year slightly lower than the two year range.

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

- The anticipated delay in receipt of reimbursements from the State to the Alliance WorkNet - StanWORKs program as a result of the State failure to pass a budget by September.

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*:



FIRST QUARTER ISSUES AND RECOMMENDATIONS

ALLIANCE WORKNET:

Administration: The Alliance WorkNet Department provides Workforce Investment Act services to Community Services Agency (CSA) clients. Funds from the 2007-2008 contract carried forward in Fiscal Year 2008-2009 resulting in the Department receiving $843,144 in increased department revenue. In addition, the Department has evaluated contract allocations and determined that an un-obligated amount of $142,497 exists. The Department requests a total increase of $985,641 in appropriations and estimated revenue for the purpose of providing vocational training and paid work experience placements for CSA and other clients, continued support of existing youth programs, the purchase of furniture and equipment for the new East-County Service Center, and new computers for client computer labs. In addition, the Department is exploring development of a contract with the Stanislaus Literacy Center to provide General Education Development (GED) preparatory services to clients.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
Administration	985,641	985,641		Increase appropriations and estimated revenue	
Total	$985,641	$985,641			

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue in the amount of $985,641 to provide continued support of Workforce Investment Act services and for the purchase of equipment for the new East-County Service Center funded by a contractual agreement with the Community Services Agency.

StanWORKs: The Alliance WorkNet contract with the Community Services Agency (CSA) to serve local Temporary Aid to Needy Families (TANF) recipients was reduced by $85,000 in the current fiscal year. The Department anticipates reducing funds available for paid work experience placements for CSA clients as a result of this reduction. The Department requests a reduction in revenue and expenditures to reflect this contract reduction.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
STANWorks	($85,000)	($85,000)		Decrease revenue and appropriation to reflect reduction in contract	
Total	($85,000)	($85,000)			

Summary of Recommendations: It is recommended to decrease revenue and appropriations in the amount of $85,000 to reflect reduced contract amount.

SUMMARY

Overall, estimated revenue and expenditures for the Board of Supervisors priority area of *A strong local economy* are recommended to increase $900,641 and $900,641 respectively. The increased revenue is attributed to contract funding carry-over from Fiscal Year 2007-2008.

A strong agricultural economy/heritage

COUNTY DEPARTMENTS

Agricultural Commissioner
Cooperative Extension

A strong agricultural economy/heritage

OVERVIEW

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

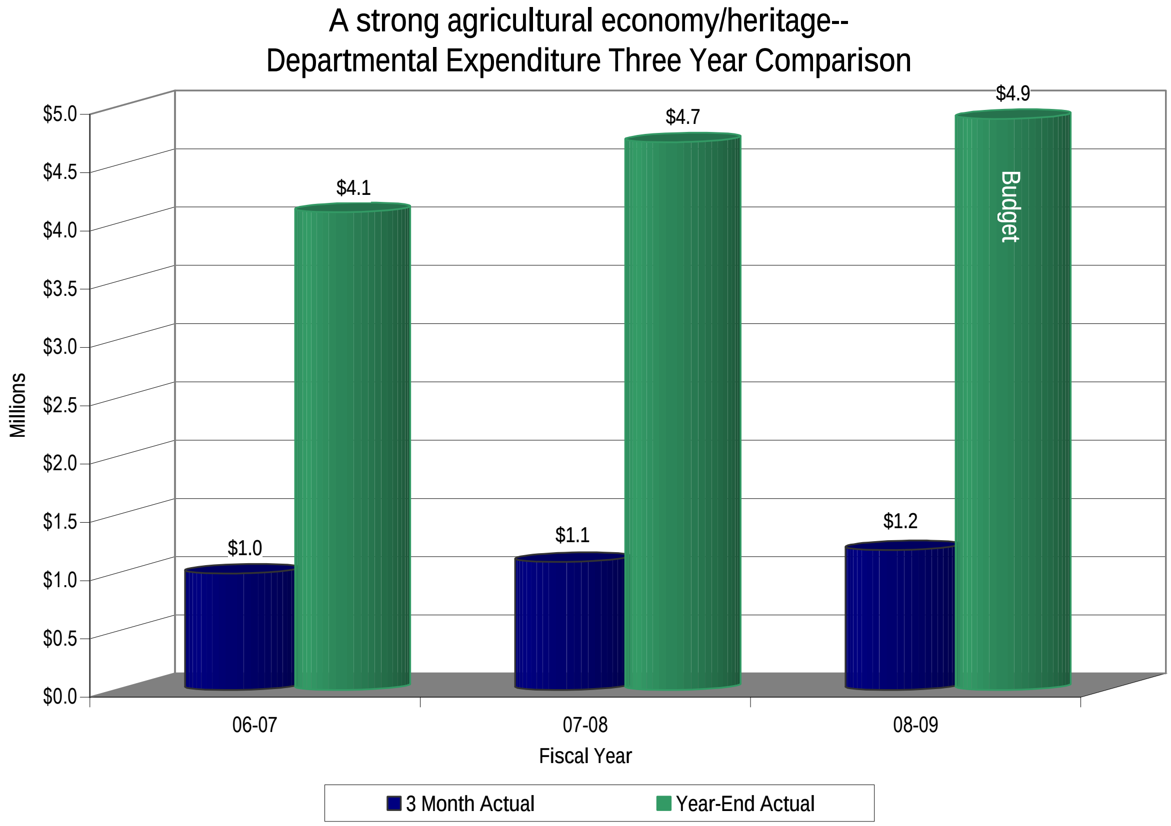
DEPARTMENTAL EXPENDITURES

As of September 30, 2008, expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A strong agricultural economy/heritage* are at $1.2 million compared to $1.1 million for the same time period one year ago. This amount represents 24.8% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 21.6% to 22.4% of the total yearly expenditures, placing this year slightly higher than the two year range.

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 purchase of replacement vehicles and equipment. In previous years, these purchases were made in the later part of the year.

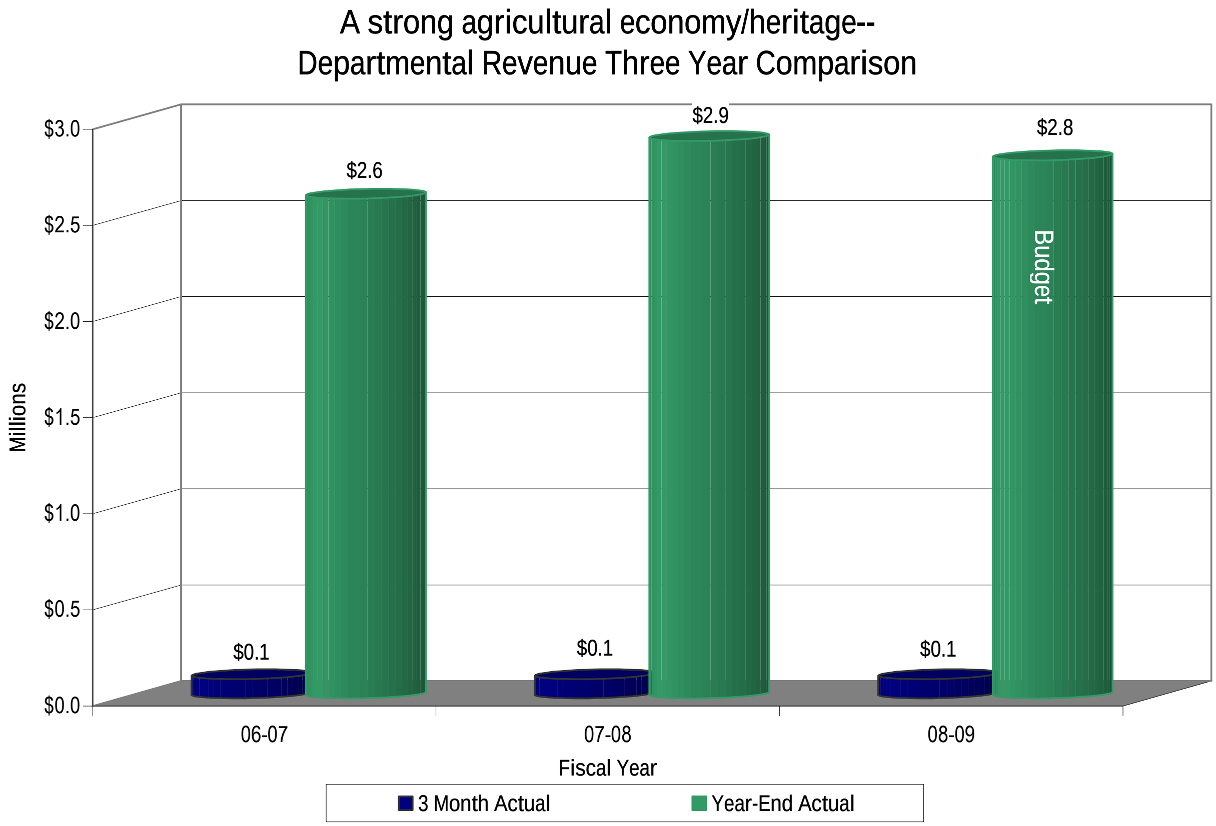
The following chart shows a three year period of departmental expenditures, including the current year, for the departments assigned to the Board of Supervisors priority area of *A strong agricultural economy/heritage*:



DEPARTMENTAL REVENUE

As of September 30, 2008, revenue for the departmental budgets that fall under the Board of Supervisors priority area of *A strong agricultural economy/heritage* are at $121,205 compared to $133,243 for the same time period one year ago. This amount represents 4.4% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 2.7% to 4.8% of the total year collections, placing this year within the two year range.

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:*



SUMMARY

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

A well-planned infrastructure system

COUNTY DEPARTMENTS

Environmental Resources
Parks and Recreation
Planning and Community Development
Public Works

A well-planned infrastructure system

OVERVIEW

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

DEPARTMENTAL EXPENDITURES

As of September 30, 2008, expenditures for the departmental budgets that are part of the Board of Supervisors priority area of *A well-planned infrastructure system* are at $24.7 million compared to $20.9 million for the same time period one year ago. This amount represents 16% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 15% to 15.1% of the total yearly expenditures, placing this year slightly higher than the two year range.

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

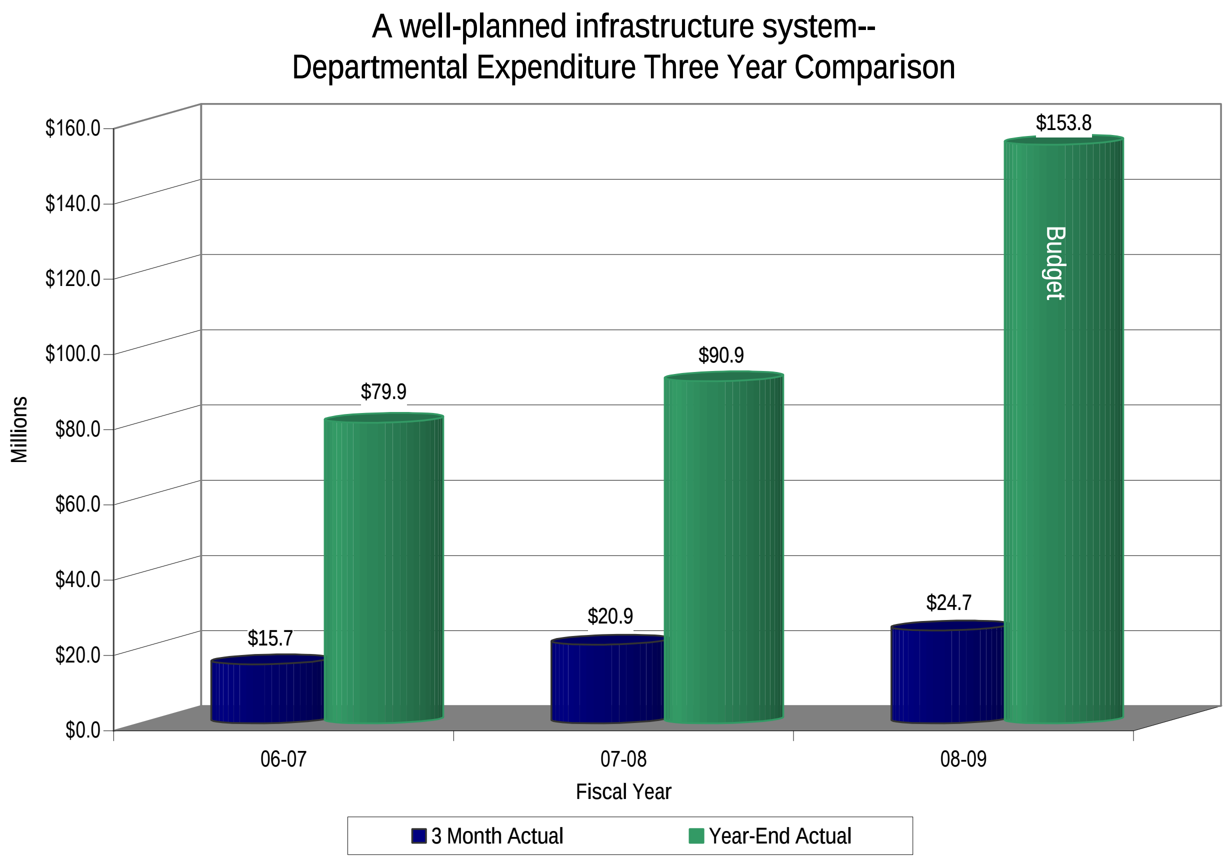
- The Department of Environmental Resources – Waste-to-Energy program expended $8 million in order to proceed with the early redemption of Series 2000 Refunding Revenue Certificates as approved by the Board on August 5, 2008;

- The Department of Planning and Redevelopment anticipated a reduction in Redevelopment funding for Fiscal Year 2008-2009, as a result the Department reduced expenditures by $.4 million;

- As part of the approved Proposed Budget 2007-2008, the Department of Parks and Recreation received $1 million in one-time Public Facilities Fees (PFF) funding for the Parks – Tuolumne River Regional Park (TRRP) in support of planning, trail work, irrigation, planting, grading, permitting, other construction within the TRRP Gateway, and project administration. As funding was one-time, the Department shows a reduction in appropriations and revenue of approximately $1 million over the one-year period; and

- In anticipation of reduced State reimbursements, the Public Works – Road and Bridge approved Proposed Budget 2008-2009 was reduced by $2.8 million.

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

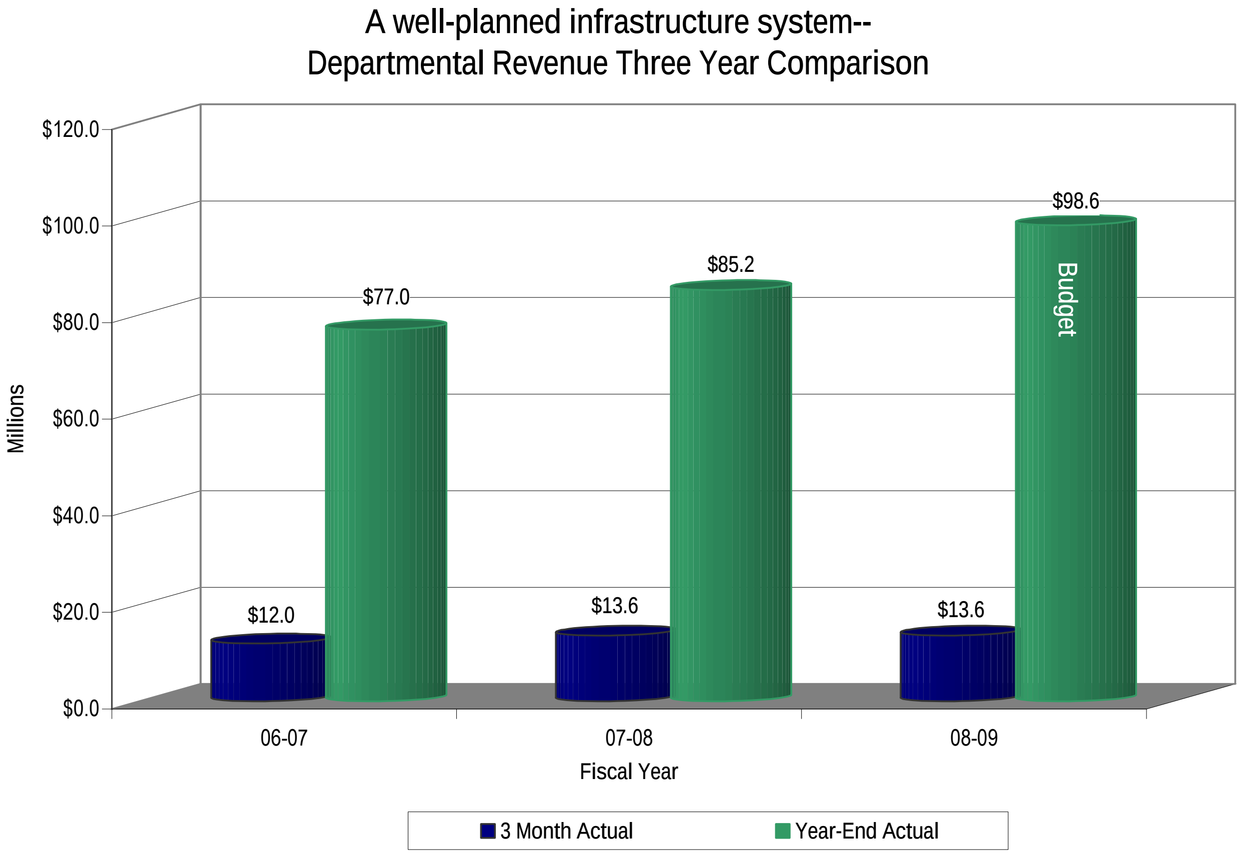


DEPARTMENTAL REVENUE

As of September 30, 2008, revenue for the departmental budgets that are part of the Board of Supervisors priority area of *A well-planned infrastructure system* are at $13.6 million, approximately the same amount as one year ago. This amount represents 13.8% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year ranges anywhere from 13.9% to 18.3% of the total year collections, placing this year's actual revenue received slightly lower than the two year range.

While revenue within the departments within the priority area of *A well-planned infrastructure system* is consistent with the same period one year ago, it is estimated that revenue for Fiscal Year 2008-2009 will be $831,000 higher than 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:*



FIRST QUARTER ISSUES AND RECOMMENDATIONS

DEPARTMENT OF ENVIRONMENTAL RESOURCES:

Fink Road Landfill: The Fink Road Landfill operations budget is used to maintain the Fink Road Landfill, prepare for the closure process, and to fund post-closure maintenance at the Geer Road Landfill. On August 11, 1992 the Board of Supervisors approved the establishment of the Fink Road Landfill and Geer Road Landfill post-closure maintenance funds. At that time the Public Works Department, which oversaw both landfills, determined that post-closure maintenance costs for the landfills required year-end transfers in the amount of $625,000 for Fink Road and $450,000 for Geer Road. This established the year-end transfer level for the subsequent years.

The Department of Environmental Resources, now the administrator of the County landfill operations, has determined, due to changes in monitoring and reporting requirements established by the State and a re-evaluation of maintenance costs, that the previously established appropriation levels no longer accurately reflect costs. It is anticipated that the Geer Road Landfill will require additional appropriations in order to meet the need for increasing costs of closure maintenance and reporting. As these appropriations are established with a year-end transfer, the Department has requested instead that during the 2008-2009 year-end process, and in subsequent years, $450,000 be transferred to the Fink Road Landfill post-closure fund and $625,000 be transferred to the Geer Road Landfill post-closure fund.

Summary of Recommendations: It is recommended that the annual year-end transfer from Fink Road Landfill operations budget to the Fink Road Landfill and Geer Road Landfill maintenance and closure funds, beginning Fiscal Year 2008-2009, reflect $450,000 for Fink Road Landfill and $625,000 for Geer Road Landfill.

PUBLIC WORKS:

Engineering: The Department has requested to add a new Staff Services Analyst position to meet increasing Proposition 42 and Proposition 1B contract administration responsibilities. Proposition 42 requires that State sales and use taxes on the sale of motor vehicle fuel be used for public transportation, city and county street and road repairs and improvements, and State highway improvements. Proposition 1B provides funding for a variety of transportation priorities, including for cities and counties to fund the maintenance and improvement of local transportation facilities. Allocations of funds from both propositions have resulted in the availability of additional local match funds for Federal and State projects. The additional position, which will be funded through existing appropriations, will ensure that the Public Contract Code is maintained during the bidding process, contract administration documentation is filed and maintained to audit standards, and State and Federal labor compliance requirements are met.

Road & Bridge: The Public Works Road Fund is a compilation of four separate funds: road operations fund, road projects fund, supplemental maintenance fund (funded with Proposition 42 and Proposition 1B), and Kaiser Donated funds (funded through a voluntary contribution made by Kaiser Permanente to fund regional transportation improvements on County roads in the North Salida area). The Department, due to the uncertainty of the State Budget, did not include Proposition 1B funding with the approved 2008-2009 Final Budget. The State has since allocated $2,523,536 in Proposition 1B funds. In addition, the Department anticipates a $264,518 increase in Proposition 42 funding. The majority of the newly allocated Proposition 1B funds, $1,400,000, will be used to place slurry seal on 31 miles of County roadways, in urbanized areas. Slurry seals are used for sealing aged and raveled pavements, filling minor cracks, restoring skid resistance and restoring aesthetic appeal of county roadways. The application of slurry seal to the road system will significantly extend the life of existing pavements by protecting the undersurface from the effects of aging and the environment.

The Department anticipates, as a result of higher gas prices, a $300,000 reduction in the Highway User's Tax (HUT) within the road operations fund. The high cost of fuel has driven down usage, thus impacting funding available to Counties. This anticipated reduction in HUT funding will be offset with the additional Proposition 1B allocation. Additional department analysis has determined the need for additional appropriations of $50,000 for a termination cashout, $250,000 for road materials, and $370,000 for Morgan Shop equipment rental. Proposition 1B funding in the amount of $970,000 will be transferred into this budget unit for ongoing maintenance and road preparation for major project activities. Overall, the Department is requesting to transfer a total of $2,370,000 from the Road Supplemental Maintenance budget to the Road Operations and Road Project budgets for the slurry seal project, staffing cost, road materials, and equipment rental.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
PW – Engineering				Contract administration of Prop 42 and Prop 1B	Add one Staff Services Analyst position
PW - Road Supplemental Maintenance		$264,518	($264,518)	Increase in Proposition 42 allocation	
PW - Road Supplemental Maintenance	$2,523,536	$2,523,536		Increase in Proposition 1B (local streets and roads allocation)	
PW - Road Supplemental Maintenance	($2,370,000)	($2,370,000)		Transfer out of Proposition 1B funding	
PW - Road Operations		($300,000)		Reduction in Highway Use Tax (HUT)	
PW - Road Operations	$670,000	$970,000		Transfer in from Road Supplemental Maintenance to fund road projects and offset loss of HUT funding.	
PW - Road Projects	$1,400,000	$1,400,000		Transfer in from Road Supplemental Maintenance	
Total	$2,223,536	$2,488,054	($264,518)		

Summary of Recommendations: It is recommended to increase expenditures by $2,223,536 funded by $2,488,054 in estimated revenue, resulting in a $264,518 contribution to department fund balance. It is also recommended to add one Staff Services Analyst position, increasing the Department's total position allocation to 120.

SUMMARY

Overall, estimated revenue and expenditures for *A well-planned infrastructure system* are recommended to increase $2,488,054 and $2,223,536 respectively along with a decrease in the use of fund balance of $264,518. The increased revenue is from an additional allocation in Proposition 1B and Proposition 42 funding.

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, 2008, expenditures for the departmental budgets that are part of the Board of Supervisors priority area *of Efficient delivery of public services* are at $40.3 million compared to $41.9 million for the same time period one year ago. This amount represents 21% of the 2008-2009 adjusted budget. Typically, expenditures at this point of the fiscal year range anywhere from 20% to 21% of the total yearly expenditures, placing this year within budget estimates.

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

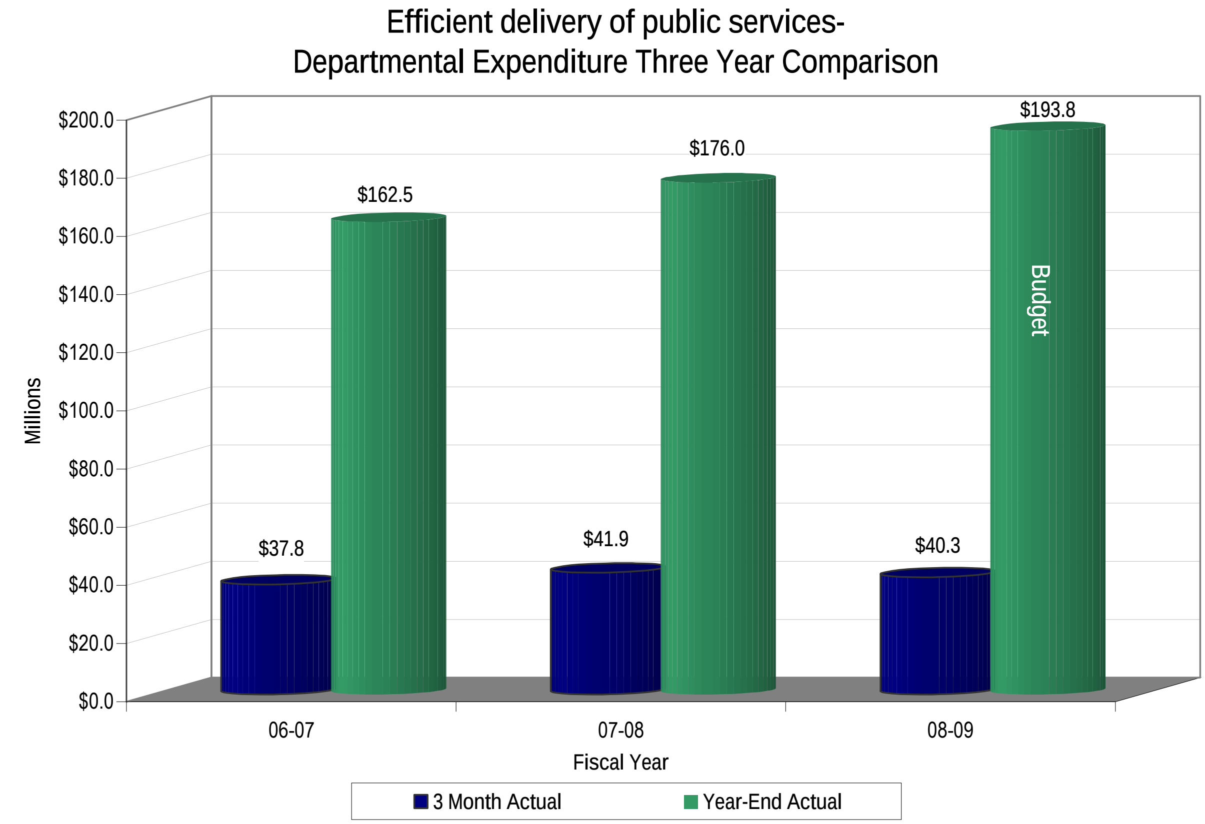
- A $1.2 million decrease in Chief Executive Office – County Match budget over last year as a result of additional one-time County contribution to the Health Services Agency – Clinics and Ancillary Services budget in the 2007-2008 Fiscal Year to eliminate the 2005-2006 cash deficit;

- A $448,270 decrease in Chief Executive Office – County Match – Vehicle License Fee as a result of the budgeted decrease in the revenue received that is apportioned out to fund County health programs;

- A $428,128 increase in Chief Executive Office – Risk Management Self-Insurance funds as a result of increased healthcare cost in Purchased Insurance and increased legal fees in General Liability; and

- A $431,898 decrease in General Services Agency – Facility Maintenance due to a change in procedures to now directly bill departments for maintenance and janitorial supplies, rather than carrying the expense in the Facility Maintenance budget.

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



DEPARTMENTAL REVENUE

As of September 30, 2008, revenue for the departmental budgets that are a part of the Board of Supervisors priority area of *Efficient delivery of public services* are at $25 million compared to $24 million for the same time period one year ago. This amount represents 21% of the 2008-2009 adjusted budget. Typically, revenue at this point of the fiscal year is at 21% of the total year collections, placing this year within budget estimates.

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

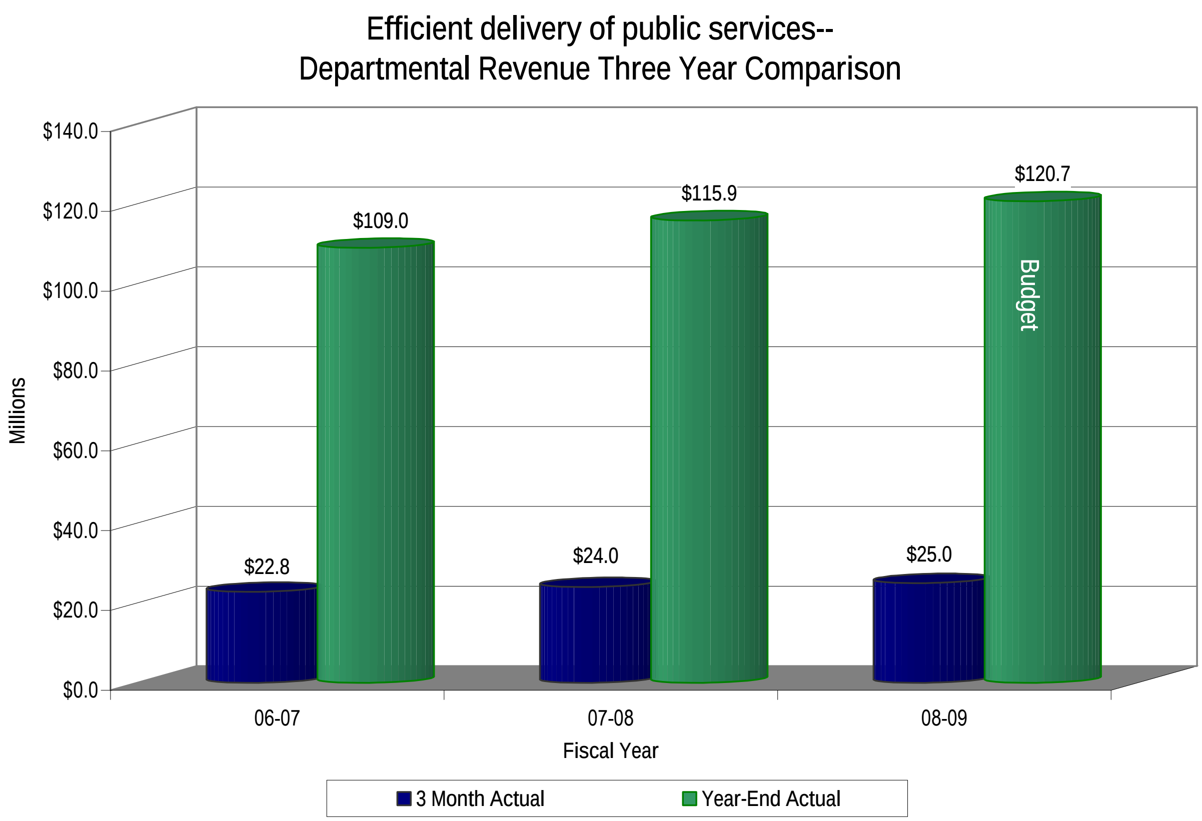
- A $1.3 million increase in Chief Executive Office – Risk Management Budget due to higher insurance costs in Purchased Insurance;

- A decrease in revenue of $448,270 in the Chief Executive Office – County Match – Vehicle License Fee as a result of sales being down due to the downturn in the economy;

- A $191,251 decrease in the Auditor-Controller revenue due to only two months of CAP charges being charged out to departments; and

♦ A $272,000 increase in the Chief Executive Office – Plant Acquisition budget due to interest earnings from the 2004 A Certificate of Participation borrowing for the Gallo Project for project closeout costs, litigation costs and related professional services.

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



FIRST QUARTER ISSUES AND RECOMMENDATIONS

CHIEF EXECUTIVE OFFICE:

Operations and Services: As part of the 2007-2008 First Quarter Financial Report, the Board of Supervisors authorized the use of $4,189,655 of one-time County Match funds to offset the Health Services Agency's anticipated 2007-2008 operating deficit. Through the implementation of numerous strategies designed to increase operational efficiency, the Agency was able to reduce the estimated deficit by $390,000. These funds were carried forward into the 2008-2009 budget as part of the CEO - County Match budget. The Chief Executive Office has been instrumental in working with the Agency to achieve fiscal stability for the County clinic system, including the use of professional experts where required. It is recommended to transfer appropriations for the remaining $390,000 from County Match into the CEO - Operations budget for further use in fulfilling the Health Services Agency's 2005 Strategic Plan goals and in implementing the Agency's operational efficiencies approved by the Board on March 18, 2008.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CEO - Operations & Services	$390,000			Transfer from County Match for professional experts	
Total	$390,000				

Summary of Recommendations: It is recommended to increase appropriations by $390,000 through a transfer from County Match.

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

Through September 30, 2008, no requests for transfer have been received. At this time, it is recommended that the following transfers be made totaling $274,453, which are explained in greater detail in their department narratives:

Budget Unit	Recommended			Description
	Appropriations	Revenue	Fund Balance	
CEO - Appropriations for Contingencies	($100,000)			Transfer to Sheriff Cal-MMET budget through County Match for first quarter expenses
CEO - Appropriations for Contingencies	($100,556)			Transfer to District Attorney Criminal budget to fund cost of Capital Murder trial and investigations
CEO - Appropriations for Contingencies	($73,897)			Transfer to Probation Field Services budget to fund one Deputy Probation Officer II position associated with new judge assigned to Juvenile Division
Total	($274,453)			

Summary of Recommendations: A transfer of $274,453 from Appropriations for Contingencies is recommended for the Sheriff, District Attorney and Probation Department, leaving a balance of $8,263,446 for the remainder of the fiscal year. Transfers from this fund require a four-fifths vote of the Board of Supervisors.

General Fund Match and Support: As part of the 2007-2008 First Quarter Financial Report, the Board of Supervisors authorized the use of $4,189,655 of one-time County Match funds to offset the Health Services Agency's anticipated 2007-2008 operating deficit. Through the implementation of numerous strategies designed to increase operational efficiency, the Agency was able to reduce the estimated deficit by

$390,000. These funds were carried forward into the 2008-2009 budget as part of the CEO - County Match budget. The Chief Executive Office has been instrumental in working with the Agency to achieve fiscal stability for the County clinic system, including the use of professional experts where required. It is recommended to transfer appropriations for the remaining $390,000 from County Match into the CEO - Operations budget for further use in fulfilling the Health Services Agency's 2005 Strategic Plan goals and in implementing the Agency's operational efficiencies approved by the Board on March 18, 2008.

The Sheriff's Department has requested funding of up to $100,000, to cover the cost of operating the Cal-MMET program for the Sheriff's Department and the District Attorney from July 1, 2008 through September 30, 2008, during which time the State suspended funding pending approval of the State Budget.

The CEO-County Match 2008-2009 Final Budget included appropriations of $46,109 for the District Attorney Spousal Abuser Protection program. The State Budget eliminated funding for this grant program and at this time the District Attorney is requesting that any remaining County Match appropriations from the Spousal Abuser Protection Special Revenue Fund be redirected to the District Attorney - Criminal General Fund budget upon close-out of the grant program, estimated at approximately $8,000.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CEO – County Match	($390,000)			Transfer to CEO – Operations & Services budget for professional experts	
CEO – County Match	$100,000			Sheriff – Cal-MMET from Appropriations for Contingencies	
Total	($290,000)				

Summary of Recommendations: It is recommended to increase appropriations by $100,000 from Appropriations for Contingencies, and to reduce appropriations by $390,000 through a transfer to other General Fund budgets. It is recommended to redirect any remaining appropriations from CEO-County Match for Spousal Abuser Protection to the District Attorney-Criminal budget upon close-out of the grant program.

Plant Acquisition: The Plant Acquisition budget provides funding for the acquisition, repair, and remodel of existing and new County facilities.

On September 9, 2008, the Board approved a budget of $1,485,577 for the CEO - Plant Acquisition budget. As part of the County's overall Final Budget balancing strategy, the CEO - Plant Acquisition budget was reduced by $779,910. Also at Final Budget, the Board approved a technical adjustment of $272,000 to transfer in cash from the interest earnings from the 2004 A Certificate of Participation borrowing for the Gallo Project budget to the CEO - Plant Acquisition budget for project closeout costs and related professional services. Since the 2008-2009 Final Budget was adopted, the 2004 A Certificate of Participation has earned an additional $33,737 in interest earnings from the borrowing to be transferred to the CEO - Plant Acquisition budget for a total of $305,737. At this time, the Chief Executive Office is requesting to transfer the cash of $33,737 to the CEO - Plant Acquisition budget. The Chief Executive Office is also requesting an adjustment to increase appropriations and revenue by $305,737 from the interest earnings on the 2004 A Certificate of Participation borrowing for the Gallo Project budget for project close out costs and related professional services.

The Chief Executive Office is requesting to transfer existing appropriations in the amount of $20,000 from Fixed Assets to Services and Supplies to provide funding for safety-related improvements for County facilities. No additional General Fund contribution is being requested at this time.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CEO – Plant Acquisition	$305,737	$305,737		Increase appropriations and revenue through a transfer of interest earnings from the Gallo Project budget	
CEO – Plant Acquisition	($20,000)			Decrease appropriations in Fixed Assets	
CEO – Plant Acquisition	$20,000			Increase appropriations in Services and Supplies	
Total	$305,737	$305,737			

Summary of Recommendations: It is recommended to transfer $20,000 in existing appropriations from the Plant Acquisition Fixed Assets to Services and Supplies, and to transfer the cash of $33,737 from interest earnings to this budget. Finally, it is recommended to increase appropriations and revenues by $305,737 for project closeout costs and related professional services.

<u>Risk Management:</u> In the 2007-2008 and 2008-2009 Proposed Budget the Department requested a study of one Confidential Assistant IV, one Confidential Assistant III and five Confidential Assistant II positions. This study has been completed with one recommended position change in the Disability Management Unit.

Budget Unit	Recommended			Description	Staffing
	Appropriations	Revenue	Fund Balance		
CEO – Risk Management				Reclassify upward one Confidential Assistant II position	Block-budgeted Confidential Assistant III

Summary of Recommendations: It is recommended to reclassify upward one Confidential Assistant II position assigned to the Disability Management Unit to a block-budgeted Confidential Assistant III, maintaining the Department's total allocated positions of 17.

GENERAL SERVICES AGENCY:

Facilities Maintenance Division: The General Services Agency (GSA) Facilities Maintenance Division (FMD) maintains and operates building systems and equipment for County owned facilities. The Division provides in-house custodial services and administers contract custodial services for County facilities. In addition to providing in-house carpentry and project services, the Division constructs small offices, custom cabinetry and ADA access ramps for trailers and other County facilities.

At this time, the Department is requesting an increase in appropriations for increased charges to departments in the General Fund of $266,060 and non-General Fund departments of $88,005 for maintenance and multiple contracts, such as security, fire system monitoring, elevators maintenance and individual maintenance projects requested by various County departments in both the General Fund and non-General Fund departments. The FMD Division has experienced a surge in requests from County departments to perform work on various projects that are not included in their budget. Departments have already budgeted for these additional expenses. No additional General Fund contribution is requested at this time.

The Department's request covers only those items which are currently identified as critical to maintain equipment, or requested by County departments. As additional requests are received, GSA-FMD will assess and analyze each request individually. Each department is responsible for ensuring that there is adequate funding within the affected budget period. GSA–FMD may need to return to the Board at mid-year or at third quarter to request additional appropriations and revenue this fiscal year as a result of customer requests.

Fleet Services: In the 2007-2008 Proposed Budget the Department requested a study to block-budget all allocated Equipment Service Technician positions to Equipment Mechanic. A comprehensive study was conducted with a recommendation not to block-budget these positions, however two of the four allocated Equipment Service Technician positions are recommended to be upgraded.

Budget Unit	Requested			Description	Staffing
	Appropriations	Revenue	Fund Balance		
GSA - FMD	$354,065			Increase appropriations for contracts	

Budget Unit	Requested			Description	Staffing
	Appropriations	Revenue	Fund Balance		
				and maintenance projects	
GSA - FMD	($266,060)	$88,005		Decrease in appropriations due to increased intrafund revenue, increase in revenue for non-General Fund departments	
GSA – Fleet Services				Reclassify upward two Equipment Service Technician positions	Equipment Mechanic
Total	$88,005	$88,005			

Summary of Recommendations: It is recommended to increase appropriations and estimated revenue by $88,005. Two Equipment Service Technician positions are recommended to be upgraded to Equipment Mechanic, maintaining the Department's total allocated positions of 13.

SUMMARY

Overall, for the Board of Supervisors priority area programs of *Efficient delivery of public services* expenditures are recommended to increase by $219,289 and revenue by $393,742. Included in the increase in appropriations is a reduction of $274,453 from Appropriations for Contingencies that are being transferred to fund identified needs in other budgets.

Looking Ahead

2009–2010 CHALLENGES

State Budget

The Governor is proposing a budget special session he wants to convene next month, as well as proposals to stimulate the economy. The Governor will be calling for the special session on November 5, 2008.

The current record-breaking State Budget is already at least $3 billion and possibly $10 billion out of balance. Revenues are being closely watched and there is behind the scenes work in Sacramento looking at possible large budget cuts in the health and human services arena.

On a side note, Sacramento will be losing four key budget players with more than 100 years of institutional knowledge. Elizabeth Hill, the head of the Legislative Analyst's Office (LAO) will be leaving the agency. The LAO provides non-partisan fiscal and policy analysis for the California legislature. Hadley Johnson, a top deputy for Hill, is departing as well. Democratic Assemblyman John Laird, a budget committee chairman, is leaving office as is Diane Cummins, who has been Senate Democrats' chief budgeter for half a dozen years.

Health Insurance

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

Labor Contracts

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

Retirement Rates

During Fiscal Year 2007-2008 and the first quarter of Fiscal Year 2008-2009 the investment performance of the StanCERA retirement portfolio suffered as the overall result of the worsening economic outlook. An actuarial study will be completed and ready for review by January 2009. This actuarial study will: review the experience of the Association over the past year and identify reasons for changes in cost; recommend economic assumptions to be used in computing Association liabilities and costs; and calculate the annual contribution required to fund the Association in accordance with actuarial principles. It is believed that the actuarial study will recommend an increase in the employer and employee contribution rates starting in Fiscal Year 2009-2010. The amount of increase is unknown, but it is expected that it will be a more significant increase than was experienced when the rates last changed in Fiscal Year 2006-2007. This increase will result in additional cost in all County Departments.

LOCAL ECONOMIC TRENDS

Unemployment Rate

According to the California Employment Development Department (EDD), the unemployment rate in Stanislaus County was 10.5% in September 2008 (an increase from the 7.9% in September 2007). This compares with a not seasonally adjusted unemployment rate of 7.5% statewide and 6.1% nationally for the same month.

Jobs

Labor market statistics from the EDD also showed that total employment in Stanislaus County decreased by 900 jobs, from 177,400 jobs in September of 2007 to 176,500 jobs reported in September 2008. Non-farm employment decreased by 1,500 jobs and farm employment increased by 600 jobs for the same time period. Education and Health Services, Government, Trade, Transportation and Utilities, and Manufacturing showed an increase in non-farm employment; however these increases were offset by substantial decreases in Leisure and Hospitality, Natural Resources, Mining and Construction, Financial Activities, Information, and Professional and Business Services jobs.

Affordability Index

With home prices declining across the country, housing became more affordable for individuals and families according to the California Association of Realtors (C.A.R).The percentage of households that could afford to buy an entry-level home in California stood at 48% in the second quarter of 2008, compared with 24% for the same period a year ago, according to a report released August 19, 2008. C.A.R.'s First Time Buyer Housing Affordability Index (FTB-HAI) measures the percentage of households that can afford to purchase an entry-level home in California. C.A.R. also reports first-time buyer indexes for regions and select counties within the State. The Index is the most fundamental measure of housing well-being for first-time buyers in the State.

The San Francisco Bay Area region was the least affordable in the State at 32%, compared with 18% for the same period the prior year. The Merced Region reached a record-high affordability level in the second quarter of 2008 at 69% compared with 46% for the same period the prior year. At the time of this report, the index for Stanislaus County was only available for the second quarter of 2007 and stood at 41% compared to 36% in the second quarter of 2006.

In Stanislaus County there were 752 Trustees Deeds Recorded (signal homes were lost to foreclosure) by the Third Quarter of 2007 compared to 2,816 in the Third Quarter of 2008, an increase of 274.5%.

Despite the significant changes in affordability, the national credit crisis has significantly impacted the American consumer's ability to borrow money. According to a recent article published in the Modesto Bee titled "Debt and the Dream" on October 20, 2008, "This entire credit crunch is a wake-up call to anybody who was attempting to borrow their way to prosperity." It is anticipated a prolonged period of tighter credit is ahead, and experts say United States consumers will find it much harder to obtain credit. According to the article, "After years of buying homes with interest only loans, or loans that allowed people to borrow more than the value of the home, buyers will now be required to make substantial down payments and have an excellent credit score to qualify to buy a home."

Median Home Price

The C.A.R. also reported that as of September 2008, the median home price in Stanislaus County was $179,000 which equates to a 40.3% decrease from the $300,000 price reported in September 2007. A similar trend was evident over this same time period for the incorporated cities of Ceres, Modesto, Oakdale, Patterson, Riverbank and Turlock ranging from a 6% to 47% decrease. The median single family detached home price in the Bay Area and in the State of California as of September 2008 was $554,730 (compared to $783,370 in September 2007) and $316,480 (compared to $535,760 in September 2007), demonstrating 29.2% and 40.9% decreases, respectively.

Building Permits

According to the California Building Industry Association (CBIA), the total number of building permits issued in Stanislaus County as of August 2008 was down nearly 85.6% when compared to the prior year. CBIA reported 27 in 2008 compared to 125 in 2007. San Joaquin County showed a similar decline of 65.9%, while Merced County had a decrease of 92.3% for the same period. The State of California statistics showed a trend downward of 60.5% over that same time period.

Gasoline

According to the California Energy Commission (CEC), Gasoline prices continue to fall in California from the all time record high of $4.588 set during the week of June 16, 2008. The average statewide price for regular unleaded fuel was $3.35 per gallon as of October 20, 2008. For the same period October 2007, the average statewide price for regular unleaded gasoline was $3.05 per gallon, while the price was $2.54 per gallon for the same period in October 2006. In comparison, the national average for regular unleaded fuel was $2.914, or 44.1 cents lower than the average price of regular unleaded fuel in California as of October 20, 2008.