



AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS

ITEM TITLE		BOARD MEETING DATE	AGENDA NUMBER
Consider FY2009/10 Midyear Financial Report and take action as outlined in the recommendations contained in the Report		February 9, 2010	23
Dept:	County Administrator	Supervisorial District Number	
Contact:	Michael D. Johnson	All	
Extension:	6100		
	Published Notice Required?	Yes _____	No <u>X</u> _____
	Public Hearing Required?	Yes _____	No <u>X</u> _____

DEPARTMENTAL RECOMMENDATION:

It is recommended that the Board of Supervisors:

1. Accept the Midyear Financial Report as outlined in Attachments A, B and C.
2. Approve the Budget Calendar for FY2010/11 as indicated in Attachment D.
3. Declare the period July 1, 2010 through June 30, 2011 as a continuing time of economic hardship and encourage employees and departments to take full advantage of the County Voluntary Time Office Policy.
4. Direct departments to prepare FY2010/11 Requested Budget submittals which, at the department level, reduce Net County Cost or General Fund Contribution by 20% from FY2009/10 amounts as adjusted in the Midyear Report; and, direct departments to include with their submittals a menu of specific program adjustments, setting forth both financial and program impacts which, in total, restore Net County Cost or General Fund Contribution to FY2009/10 levels, for review by the Board and staff during the Budget preparation process.
5. Adopt a resolution amending the Position Allocation List to remove LAFCO positions from the County position allocation listing since LAFCO officially transitioned to a separate governmental entity on October 3, 2009 (Attachment E).
6. Adopt the attached alpha salary resolution to set the salary for Employment Relations Manager at the annual salary of \$94,985.48 to \$115,455.45 (Attachment F).
7. Approve a transfer from Accrued Leave Payoff designation of \$1,466,717 to General Expenditures' budget to cover costs of General Fund share to various budget units as the results of payoffs to terminated employees, retired employees, and the implementation of the Early Retirement Incentive (ERI) program. (4/5 vote required)

SUMMARY:

- On September 1, 2009 and September 22, 2009, County staff presented to your Board the impacts of the extraordinary economic conditions facing the County, as well as the State of California and the nation. The report addressed revenue expectations and the need to reduce ongoing expenditures. Among the actions approved on September 22 was the deletion of

(23.6 FTE), a reduction of the Management Incentive Program by one third, and a downward adjustment of \$1 million in the revenue projections for Prop 172. Staff expressed concern then that further reductions in revenue projections would be required at Midyear if sales tax revenues continued their steep decline.

- On October 6, 2009 the Board directed the County Administrator to prepare targeted General Fund reductions of \$9 million, or nearly 50% of the County's projected General Fund structural deficit of \$18.9 million, during this fiscal year.
- On October 27, 2009, the County Administrator presented the Board a strategy that primarily focused on reductions in salaries and benefits since those expenses represent nearly 80% of the operating costs of most County programs.
- On November 24, 2009, the Board adopted approximately \$9 million in General Fund reductions, including eliminating 47.5 vacant and funded positions and deleting 138.53 filled positions with layoffs effective January 2, 2010.
- On December 8, 2009, the Board amended those reductions by reinstating 11.125 FTEs and added back \$718,334 to various budgets.
- On January 19, 2010, the Board met in a special meeting with department heads to discuss the operational impacts of the cuts to date. This Midyear report will provide the Board the fiscal impacts of the cuts and an update on revenue projections.

The direction for the 20% cut in the Requested Budgets should not be perceived as a 20% cut across-the-board but as a means for departments to provide the CAO and the Board with a menu of options from which the Board can apply their priorities and determine the programs or services that may be reduced, eliminated or restored. This is consistent with Board direction to provide a range of budgeting options based on Board priorities.

The Board, with the understanding of the operational and fiscal impacts of decisions to date, will discuss its priorities for the remainder of this fiscal year and in establishing the FY2010/11 budget at its meeting on February 23, 2010.

Although there are mixed indicators and deferring opinions as to whether the economic decline is approaching the bottom, there is consensus that County revenues for the remainder of this fiscal year do not reflect improvement. Projections for property taxes remain on target; as reported in September they reflect an 8% decrease from last fiscal year actual receipt. Double digit unemployment continues to create a high demand for aid and services for residents, many of whom are first-time applicants. The Prop 172 sales tax revenue continues to plummet further by \$4.0 million and \$1.13 million from State Drug Abuse (Prop 36) program revenues will not materialize.

Further, the State fiscal problems continue and its structural deficit is now \$19.9 billion. The Governor's Proposed Budget relies on uncertain additional federal funding, cuts in social services programs, and shifts in costs to counties, including sending certain felony offenders to county jails rather than prison. The budget plan also trades the elimination of a sales tax on gas for an excise tax, which is portrayed as revenue neutral in this budget but could create an unreliable revenue source for transportation projects in the future.

Included in Attachment A of this report is an assessment of the State budget, which could have significant impacts on the County in the current fiscal year pending the current Proposition 58 legislative special session that is tasked with addressing \$8.9 billion in "budget solutions."

FINANCING:

As indicated on page 3 of Attachment B, the Fund Balance for the General Fund is anticipated to be \$38,696,920, which includes the General Fund Contingency balance of \$29,316,286 as of February 2, 2010.

Staff continues to work with departments to narrow the projected deficit where possible in order to minimize further erosion of General Fund. Financial status updates will be provided at Third Quarter in April.

FY2009/10 Midyear Projections by Fund

Fund	Expenditures	Revenues	Fund Balance	Fund Balance Projection
General Fund- 01				
Midyear Projections	204,377,584	194,661,101	9,716,483	
Working Budget*	215,440,459	196,343,342	19,097,117	
Net Change Midyear vs. WB	(11,062,875)	(1,682,241)	(9,380,634)	(38,696,920)
*Excluding Contingencies balance of 29,316,286				
Public Safety - Fund 900				
Midyear Projections	144,659,998	141,094,538	3,565,460	
Working Budget	153,386,850	153,902,528	(515,678)	
Net Change Midyear vs. WB	(8,726,852)	(12,807,990)	4,081,138	4,081,138
Court Related - Fund 901				
Midyear Projections	292,085	379,414	(87,329)	
Working Budget	292,085	399,914	(107,829)	
Net Change Midyear vs. WB	0	(20,500)	20,500	20,500
H&SS - Fund 902				
Midyear Projections	259,773,329	263,066,702	(3,293,373)	
Working Budget	269,330,435	272,501,138	(3,170,703)	
Net Change Midyear vs. WB	(9,557,106)	(9,434,436)	(122,670)	(122,670)
Other Funds				
Midyear Projections	204,132,585	132,787,625	71,344,960	
Working Budget	242,696,171	132,183,238	110,512,933	
Net Change Midyear vs. WB	(38,563,586)	604,387	(39,167,973)	(39,167,973)
All Funds				
Midyear Projections	813,237,466	731,989,380	81,248,086	
Working Budget	881,146,000	755,330,160	125,815,840	
Net Change Midyear vs. WB	(67,908,534)	(23,340,780)	(44,567,754)	
Internal Services and Enterprise Funds				
Midyear Projections	46,399,549	42,265,151	4,134,398	
Working Budget	55,315,566	50,283,182	5,032,384	
Net Change Midyear vs. WB	(8,916,017)	(8,018,031)	(897,986)	(897,986)

DISCUSSION:

The Midyear Report indicates that revenue losses have outpaced the efforts of departments to reduce expenditures, resulting in a funding gap between expenditures and revenues through June 30, 2010, as shown on table above, Summary of Midyear Projections by Fund. This is primarily the result of losses of sales taxes and other program revenues.

Overall expenditure reductions of \$67.9 million, including all funds except internal services funds, were implemented in October 2009 to effectuate the Board's direction to reduce the General Fund structural deficit by \$9 million.

Overall revenue projections for the remainder of FY2009/10 are down by \$23.3 million, notably Prop 172 sales tax of \$4 million, as a result of declining retail sales across the State. As your Board recalls, staff reported that the Public Safety sales tax will not materialize as budgeted; therefore, recommended reducing \$1 million of this revenue and the corresponding appropriations in the September 1, 2009 report. Other revenue losses include Federal, State, fines and fees, and charges for services.

The net impact is the desired savings to the General Fund will not fully materialize as a result of expenditure reductions being offset by losses in revenue. The County achieved \$8 million of the targeted \$9 million reduction. However, as projected in the Midyear Report, Prop 172 will be \$4 million less than budgeted. There are options that the Board may choose:

- 1) Backfill Prop 172 declines, which are being partially offset already by transfers of \$1.2 million in General Fund share from the Accrued Leave Payoff designation, will further reduce General Fund savings by \$2.88 million. This action will mean the projected General Fund savings will be reduced to \$5.12 million, bringing the General Fund structural deficit down to \$13.8 million.
- 2) An additional \$4.9 million will be required to be cut this fiscal year to achieve the Board's target of reducing the structural deficit by approximately half. Savings from the ERI was earmarked by the Board toward reducing the second half of the structural deficit.
- 3) A combination of both and/or prioritization of programs for the balance of this fiscal year. This prioritization will further guide the development of the FY2010/11 Requested Budget.

Since the September 2009 financial report to the Board, departments have undertaken numerous reduction measures and revenue increases, where feasible, to stay under the adjusted budget target. Details of areas of concerns and required Board deliberation are included in Attachment A of this Report.


ALTERNATIVES:

There are a number of recommendations included in this Midyear Financial Report for your consideration. Your Board may choose to adopt none, any, or all of those presented. You may also choose to modify any of the recommendations, or direct staff to develop specific alternatives not included in this Report.

OTHER AGENCY INVOLVEMENT:

All County departments were involved in developing the information included in this Report.

COUNTY ADMINISTRATOR SIGNATURE:

By 

MICHAEL D. JOHNSON
County Administrator

Attachments:

- Attachment A – Midyear Financial Report, pages 6 - 36
- Attachment B – Midyear Spreadsheet General Fund and Other Funds, pages 37 - 39
- Attachment C – Midyear Spreadsheet Super Funds, page 40
- Attachment D – FY2010/11 Budget Calendar, pages 41-49
- Attachment E – Resolution Amending the Position Allocation List, page 50
- Attachment F – Resolution Amending Salary for Employment Relations Manager, page 51

**COUNTY OF SOLANO
COUNTY ADMINISTRATOR'S OFFICE
MIDYEAR FINANCIAL REPORT
FY2009/10**

ASSUMPTIONS INCLUDED IN THE PROJECTIONS

This report outlines the County's anticipated year-end financial position, which reflects six months of actual expenditures and revenues and six months of projections. Staff made the following assumptions:

- The State budget's proposed reductions for the remainder of the fiscal year have not been included in the projections, in particular Health and Social Services programs. Further, the economy will remain unsettled, with continued loss of sales tax and other program revenues.
- The Midyear Report reflects increased caseload; therefore, additional funding is required from General Fund.
- In the event the State financial condition continues to decline, the impact to the County's General Fund could also be affected.

STATE BUDGET – POTENTIAL FINANCIAL IMPACT ON THE COUNTY BUDGET

The Governor, in releasing his proposed 2010-2011 State Budget, pegged the deficit at \$19.9 billion. This estimate is comprised of a current year shortfall of \$6.6 billion and a budget year shortfall of \$12.3 billion. The last \$1 billion is what the Governor would like to budget in 2010-11 as a modest reserve. The projected deficit was expected to be higher (it is anticipated that it could be as high as \$24 billion); the lower estimate is a direct result of state revenues in December surpassing the projections contained in the 2009-10 state budget by almost half a billion dollars.

The Governor pointed to four reasons for the current deficit: decreased revenues; recent court decisions; erosion in the value of some of the savings adopted in 2009; and additional costs associated with population-driven and caseload-driven entitlement programs.

According to the Governor, revenue estimates are \$3.4 billion lower, federal and state court decisions have reduced or eliminated budget solutions adopted in previous years and imposed costs of \$4.9 billion, erosions of previous solutions account for \$2.3 billion of the budget gap, and population and caseload growth has added \$1.4 billion in costs.

Among other things, the Governor's budget does not contain funding for the Williamson Act. The Governor's also proposes – again – that monies from Propositions 10 and 63 be shifted to fund other state programs on a short-term basis. Regarding the Governor's Proposition 63 proposal, what this means for now is that there is not any state general fund support proposed for the Early Periodic Screening, Diagnosis and Treatment (EPSDT) program. Also notably, the Governor's budget contains a transportation proposal that would be devastating for Highway Users Tax Account (HUTA), Proposition 42 and public transit throughout the State. Overall, the Governor proposes myriad reductions in funding for programs throughout health, social services and mental health.

The Governor called a Proposition 58 session of the Legislature on the same day that he released his proposed 2010-11 State Budget. Within the context of the Proposition 58 session, the Governor is proposing solutions that will close \$8.9 billion of the budget gap. According to the Governor, delays in the adoption of his proposals will result in the loss of up to \$2.4 billion in budgetary solutions and thereby necessitate even deeper cuts in 2010-11.

Most notably perhaps, the Governor is proposing that the federal government provide an additional \$6.9 billion to California to assist with the projected state deficit. The Governor has proposed a list of "trigger cuts" that would go into effect if the entire \$6.9 billion is not received from the federal government. This list of "trigger cuts" includes, among other things, the complete elimination of the IHSS, CalWORKS, and Healthy Families programs. The Legislative Analyst, in his initial evaluation of the Governor's proposed budget, said that \$7 billion was "unrealistic" but that perhaps the State could ultimately see somewhere in the neighborhood of \$3 billion in additional revenues from the federal government.

Legislative Reaction to the Governor's Proposed 2010-11 State Budget

The democratic leadership in the Legislature reacted swiftly and negatively to the Governor's proposal. Karen Bass, the outgoing Speaker of the Assembly, labeled the Governor's proposal "a pile of denial." Similarly, the Senate Pro Tempore – Darrell Steinberg – publicly doubted the Governor's sincerity in proposing his last state budget.

The deadline for action by the Legislature within the Proposition 58 legislative special session is February 22. The Senate Budget Committee has been holding hearings regularly ever since the Governor released his proposed budget, studying the proposal issue area by issue area.

Two events will occur within the Proposition 58 timeframe that are worth noting. First, the Governor's appointment of Senator Abel Maldonado (R-San Luis Obispo) to be Lieutenant Governor must be acted upon by the Legislature. Secondly, the President's State of the Union address and the release of the proposed 2010-11 federal budget may provide the Legislature with an estimate of increased federal aid that they can include within their own budget deliberations with confidence.

By the end of February, the Legislature is expected to at least address the Governor's call for \$8.9 billion in solutions prior to the closure of the Proposition 58 session. The Legislature's version of \$8.9 billion in solutions will undoubtedly differ from the Governor's proposals at least to some degree; however, the Legislature has yet to give any indication of exactly how. In addition, there is at least some possibility that the Legislature will take actions mirroring what occurred last year when the State Budget was adopted early in the calendar year and then "re-budgeting" occurred later in the year during the more traditional constitutional timelines.

State Cash Flow

In his State Budget, the Governor states that he does not believe the State will suffer a cash flow problem in the current year, but that it will at the beginning of the budget year. This would be a positive development as cash flow problems at the state level have been disastrous for both the state and local governments over the last two years.

However, very recently, the State Controller John Chiang has stated that he sees a potential \$2.7 billion cash problem in March and April absent sufficient solutions being enacted by the Legislature during the Proposition 58 legislative special session. It is likely that the Controller's view of the State's cash flow situation will mean even greater impetus for the Legislature to respond in some fashion to the Governor's call for \$8.9 billion in solutions sooner than later.

Other Considerations

Akin to last year, Bill Lockyer has reminded the Legislature that the ongoing budget crisis – especially when coupled with another potential cash crisis for the State – greatly endangers the ability of California to not only take infrastructure bonds to market but significantly increases the cost of short-term borrowing for cash flow purposes.

FINANCIAL POSITION OF COUNTY DEPARTMENTS

Attached to the Midyear Financial Report are spreadsheets (Attachments B and C) which summarize projections and compare the Working to the Midyear Projected Budget. In most areas, Department Heads have made tremendous efforts to control their budget and to meet the Board's targeted reductions. The County Administrator is not recommending any significant budget augmentation, but recommends the Board direct departments to take whatever action necessary to end FY2009/10 without the need for an increase of County General Fund, where it is feasible.

In the case of Health and Social Services, caseloads continue to climb as job losses increase. It appears inevitable that additional General Fund will be required to offset cash aid payments.

Following is a brief summary of departmental budgets, grouped by functional area. Those budgets projected to be on or near target are not mentioned in the Report, as they do not require your Board's attention at this time.

GENERAL GOVERNMENT

General Revenue – 1101

Total property tax revenues are projected to be on target as reported to the Board in the September 2009 financial report. Overall, this budget gains \$1.3 million as one-time monies from unsecured property related to the wind farm in the Montezuma Hills, Sales and Use Tax in lieu determined by Department of Finance as adjustments from prior year, and Property Tax in lieu of the Vehicle License Fees (VLF).

General Services – 1117

The Midyear projection reflects decreases of (\$492,662) in expenditures and (\$681,336) in revenue for an overall increase of \$188,674 in Net County Cost when compared to Working Budget.

The Department has worked proactively to reduce costs in pursuit of the Board's budget reduction strategy. However, the Department has encountered unanticipated costs of \$196,579 in Accrued Leave Payoff, \$142,600 in unrealized Salary Savings, \$77,267 in 311 Call Center charges, and \$155,353 in additional Departmental Administrative Overhead costs. At the same time, many of the Department's customers – other County departments and external entities – are eliminating or reducing the scope of projects and services for which this Department would otherwise receive revenue.

Due to the combination of these two trends, the Department will not meet the targeted reduction of \$451,497 but will have an increase of \$188,674 in Net County Cost, resulting in an increase in General Fund contribution of \$640,171.

Human Resources – 1500

Attached is an alpha listing of salary resolution to set the salary for Employment Relations Manager at the annual salary range of \$98,985.48 to \$115,455.45. During the adoption of the FY2009/10 budget, the Board approved the position of Employment Relations Manager in the Human Resources department. Although a position allocation resolution was submitted and approved, the resolution of salaries did not include the Employment Relations Manager.

The Human Resources budget includes funding the filling of the position effective April 1, 2010.

Promotion – 1750

The Midyear Budget reflects increases of \$93,000 in expenditures and \$9,000 in revenues when compared to the Working Budget, resulting in an increase in projected Net County Cost of \$84,000.

The existing appropriations have been spent for the 2009 State Fair Exhibit. The additional appropriations are required to plan and build the County's 2010 Exhibit. Normally, a portion of the exhibit costs are included in the current fiscal year and another portion included in the next fiscal year. However, due to a change in schedule, the 2010 California State Fair is now scheduled to open on July 14, 2010, which is six weeks earlier than usual. More costs will be incurred in the current fiscal year to meet the earlier deadline

In past years, staff estimates that the County spent approximately \$130,000 to \$150,000 in direct expenses for the State Fair Exhibit. During the FY2009/10 budget hearings, the Board limited the appropriations for the State Fair's direct expenses to \$50,000. These appropriations were spent to complete the 2009 State Fair Exhibit.

The additional appropriations include \$48,000 to cover the costs of two contracts for the design and construction management of the 2010 State Fair Exhibit, the same costs for the 2009 exhibit. This leaves \$45,000 for the direct construction costs, which is in line with the Board's direction to limit the direct costs for the exhibit to \$50,000.

General Expenditures – 1903

The major change in this budget unit pertains to the Trial Courts Contribution, Budget Unit 1918.

This budget unit accounts for all activities associated with the County's obligation to the State under the Court's Maintenance of Effort outlined in AB233 – The Trial Court Funding Act. Under this Act, the State took over the responsibility for funding the operations of the Courts. In return, counties were obligated to remit to the State annual payments equal to their adjusted FY193/94 expenditures for Trial Court operations. To assist counties meet their obligations to the State, certain revenues that used to go the State, such as vehicle fines, fees, forfeitures, and penalties, have been re-directed to the County up to a certain threshold. Deficits in this budget unit are obligations of the General Fund.

The Midyear projections show a decrease in revenue estimates of (\$1,911,410), mainly due to the following:

- Decrease of (\$445,160) in Fines, forfeitures and Penalty, mostly from the revenues for Vehicle Code Fines. These fines are collected by the Courts and remitted to the County through regular deposits. Discussions with the Administrative Officer of the Courts and staff indicate that the decrease in revenues is the direct result of lower collections. Offenders

have not been paying their fines. This may be associated with the difficult economic climate that

- Reduction of (\$1,465,500) in Charges for Services, primarily related to the \$49 Traffic School Fees assessed to eligible traffic violators that are remitted to the County. Remittance to the County for these fees have decrease as a result of a change implemented by the Courts on when the fees are remitted to the County and lower collections. In the past, the full amount of the bail of a traffic offender who agrees to attend traffic school is immediately remitted to the County. Only \$49 of the bail amount is traffic school fee. When traffic school is completed, the portion of the bail that is not traffic school fee is reversed, leaving only the \$49 traffic school fee in the account. This procedure has inflated the amount remitted to the County. In March 2009, the error was discovered and a change was implemented. Under the new procedure, the full bail amount, including the \$49.00 Traffic School Fee, is deposited first in the Court's Trust Account. After the traffic violator complete traffic school, the funds are redistributed from the Court's Trust Account to the County/State's Special Traffic School Distribution where the majority of the money goes to the County's Traffic School Fund.

PUBLIC PROTECTION

Public Safety Departments – Fund 900

The Public Safety Fund is comprised of the District Attorney, Sheriff, Public Defender, Conflict Defender, Probation and Other Public Defense. As with all County departments, Public Safety was allocated a share of Board-directed budget reductions intended to mitigate the County's projected FY2009/10 General Fund structural deficit of \$18.9 million. This share amounted to expenditure reductions of (\$5,813,890).

The Midyear projection for the Public Safety Fund reflects decreases of (\$8,726,852) in expenditures and (\$12,897,144) in revenues, for a net loss of \$4,081,138 when compared to the Working Budget.

The objective of the departmental expenditure reductions is to decrease the General Fund Contributions in order to mitigate the County structural deficit; however, the expected General Fund savings from the reductions in Public Safety have been negated by either unanticipated or sharper-than-expected revenue losses that exceed the expenditure cuts in most departments.

The steep decline in consumer spending means a sharp shortfall in sales tax revenues, which impacts the sales tax revenue streams that directly support local public safety through Proposition 172. Also, due to the huge State budget deficit, the Governor and the Legislature have slashed funding for major programs, including those that fund public safety directly and those allocated through grants, such as Proposition 36.

The combined decreases in Proposition 172 and Proposition 36 revenues are estimated to be (\$5,128,356), broken down as follows:

- Decrease of (\$3,997,507) in Local Public Safety Funds (Proposition 172). Consistent with the continuing decline in economic activities locally and statewide, Prop 172 receipts for the first six months of the fiscal year indicate a sharper drop than anticipated. These funds are used as a financing source for the Sheriff, District Attorney, and the Probation Department.
- Reduction of (\$1,130,849) of the Substance Abuse and Crime Prevention Act funding (Proposition 36). The Governor proposed and the Legislature approved the elimination of

Prop 36 funding in this fiscal year. These funds are normally allocated to the Probation Department.

Details of changes in expenditures and revenues are described further in the departmental write-ups below:

District Attorney – 6500

The District Attorney's Midyear Budget reflects decreases of (\$529,388) in expenditures and (\$1,738,773) in revenues, resulting in a net change of \$1,209,385 when compared to the Working Budget.

The DA's reductions have been concentrated on personnel as Salaries and Benefits comprises the bulk of the budget, which limits options for reductions. As a result, the District Attorney has focused on performing core programs and services.

The Department also projects higher than anticipated revenue losses of (\$712,931), resulting in a total shortfall of (\$1,209,385). The revenue losses are mainly due to decreases of (\$381,325) in Prop 172 and (\$331,606) in program revenues. The program revenue losses are in the SB90 reimbursements for mandated programs:

The District Attorney's shortfall of (\$1,209,385) will be mitigated by \$168,692 in Accrued Leave Pay-Off as the General Fund share.

Sheriff – 6550

The Sheriff's Midyear Budget reflects decreases of (\$4,813,976) in expenditures and (\$6,853,519) in revenues, resulting in a net change of \$2,039,543 when compared to the Working Budget.

Although the Sheriff's allocation for expenditure reduction is (\$2,589,890), the Sheriff has had to make more significant cuts totaling (\$4,813,976) to partially offset a greater than anticipated loss of (\$3,291,686) in Prop 172 revenues.

While the cuts are deep and they have had the expected consequence of reducing the level of public safety and community support services, the Sheriff has kept the safety of the public and the community at the forefront and it has not been compromised.

Compounding the Sheriff's challenge to provide core services is the continuing revenue losses, not only from dedicated sources like Prop 172 but also from program revenues and grants. In addition to the shortfall of (\$3,291,686) in Prop 172 revenues, the Sheriff projects program revenue losses of (\$971,943). These losses are primarily from the following:

- (\$173,983) in Electronic Monitor Daily Fees due to fewer applicants that can afford the fees.
- (\$158,257) from State Other due to unspent SUASI Grants.
- (\$163,241) in State Local Detention Facility Revenues due to lower booking fees allocations from the State as a result of lower receipts of Vehicle License Fees.
- (\$201,148) in Federal Other resulting primarily from the deferral of the Community Oriented Policing Services (COPS) Rehire Grant due to a lapse in award notification and the Sheriff's Office's inability to comply with restrictions in personnel guidelines of the COPS grant.

The losses from Prop 172 and other program revenues leave the Sheriff with a deficit of (\$2,039,543), which includes (\$485,635) in Accrued Leave Pay-Off that will be covered by a transfer from the Designated Reserves, leaving a net shortfall of (\$1,553,908). This net deficit is fully attributable to the loss of Prop 172, which requires a Maintenance of Effort (MOE).

Probation – 6650

The Probation Department Midyear Budget reflects decreases of (\$2,407,658) in expenditures and (\$3,249,185) in revenues, resulting in a net of \$841,527 when compared to the Working Budget.

Probation was allocated an expenditure reduction target of (\$1,384,508) and met its target by reducing expenditures by (\$2,407,658). The additional cuts have been made to partially offset the losses of (\$324,496) in Prop 172 revenues, (\$1,130,849) in Prop 36 revenues, and (\$409,332) other program revenues. The Department realized the savings by implementing the following reductions:

- (\$1,085,801) in Salaries and Benefits resulting from the elimination of (31.5) FTE positions.
- (\$746,078) from Services and Supplies, mainly from decreases of:
 - (\$403,620) in Contracted Services from savings associated with the decrease in the costs of Valley Toxicology drug tests and contract reduction associated with the loss of Prop 36 funding.
 - (\$89,156) in Special Departmental Expense.
 - (\$59,550) in County Garage based on decrease needs for vehicles and fleet services.
 - (\$30,988) in Postage due to reclassification as Interfund Services (offsetting entries).
 - (\$17,100) in Food resulting from cost-cutting measures.
 - (\$17,882) in Office Expense due to cost-cutting measures.
 - (\$17,390) in Maintenance—Buildings and Improvements from cost-cutting measures.
 - (\$22,157) in Other Professional Services due to reclassification to Software License/Maintenance (offsetting entries).
- (\$279,308) from Other Charges, mostly due from a decrease of (\$233,024).

Probation plays a vital role in the rehabilitation of both adult and youth offenders to prevent them from re-offending. The cuts implemented in the Department have impacted its most important resource – staff, resulting in a reduction in the level of supervision provided to adult offenders. Given the revenue losses and the mandated cuts that have to be made, the Chief Probation Officer in a report gave this outline of her approach to the budget reductions “The Department has approached budget reductions by first improving efficiency and second reducing non-mandated core services using principles of evidence-based practices as a guide to focus limited resources on higher-risk offenders in order to reduce the impact on public safety. The actual impact of these reductions on public safety is unknown at this time, although research indicates we can anticipate an increase in recidivism of at least 15% for the (medium-risk) group that we are no longer actively supervising.”

As previously indicated, Probation has incurred additional losses of (\$409,332) related to State programs. Those unanticipated program revenue losses are as follow:

- (\$180,537) in State Other Revenues from the Youth Offender Block Grant that the Department uses to supervise and rehabilitate youth offenders.
- (\$176,058) in State CalWork Single Revenues, which are sourced from vehicle license fees and are used for funding juvenile probation camps.

Although Probation has made significant cuts in its budget, the revenue losses leave the Department short by \$841,527 from meeting its target of reducing its General Fund costs. This includes \$166,590 in Accrued Leave Pay-Off that will be offset by a transfer from Designated Reserves and the loss of (\$324,496) in Prop 172 revenues, which has a required Maintenance of Effort.

OTHER PUBLIC PROTECTION

Local Agency Formation Commission – 2930

The Local Agency Formation Commission (LAFCo) officially transitioned to a separate government entity on October 3, 2009. The attached position allocation removes the LAFCo positions from the County position allocation listing.

HEALTH AND PUBLIC ASSISTANCE

Health and Social Services (Fund 902) Overview

The Department's projected expenditures are anticipated to be well below the FY2009/10 budget, and revenues are anticipated to decrease accordingly. State and Federal Revenues, including charges for services and Realignment, provide 86% of Health and Social Services (H&SS) funding. The balance of \$30 million, 11.5%, is County General Fund (CGF). CGF is used for Maintenance of Effort as required by the State and/or Federal Government (\$3.9 million) or as a match for drawdown of State and Federal Funds (\$15 million). CGF also funds public (cash) assistance to individuals, including General Assistance (100% County cost) and the County share of In-Home Supportive Services (IHSS), Foster Care and other assistance programs.

Due to a net reduction of approximately \$6 million in revenue, including State funding cuts, Realignment losses and a decrease in CGF contribution, H&SS reduced expenditures for salaries, contracted services and other operational costs. The County hiring freeze, Early Retirement Incentive program, and the deletion of positions in September and December further lowered expenditures for the first two quarters. As a result, H&SS will under spend State/Federal allocations by approximately \$3 million in FY2009/10, with little or no associated savings in CGF.

Final State allocations for administration of public assistance programs were higher than anticipated in the Final Budget. Allocations were increased as a result of higher caseloads. The FY2009/10 final budget reflects State funding reductions for most other H&SS programs.

The Midyear projection for Realignment funding, generated by sales tax and vehicle license fees, is \$35 million, which is \$4.1 million less than budgeted. The FY2009/10 budget included \$40 million in Realignment, down from \$44.6 million actual in FY2007/08. Recent DOF projections indicate that both revenue streams may be stabilizing; H&SS will monitor and report adjustments at Third Quarter.

CGF has been reduced from \$31.3 million in the working budget to \$30 million as a result of the General Fund reduction targets. However, the County's share of costs for Public Assistance is projected to increase by \$1 million, mainly in the IHSS program.

Since January 2008, the Department position allocation has been reduced by 162.0 FTE; of these, 79.0 FTE have been deleted since approval of the FY2009/10 Budget in June 2009.

Social Services Overview

Caseloads for public assistance programs, such as CalWORKs, Food Stamps and General Assistance, increased significantly in Solano County during FY2008/09. As a result, State allocations for administration of the program were increased in FY2009/10, and exceed the budgeted amounts by \$1.4 million, as reported to the Board on September 1, 2009. The increase in State/Federal funds for these programs does not require any additional County funds. However, due to the hiring freeze, and the deletion of positions in Eligibility and Employment Services, since the budget was approved, H&SS has not been able to hire staff. While the allocations have been increased, H&SS is only able to claim reimbursement based on actual costs. Therefore, the Midyear projection anticipates significant under spending of these allocations. The lower expenditures in Employment and Eligibility (E&E) also shift fixed overhead costs to other Social Service programs, such as Child Welfare Services (CWS) and Older and Disabled Adult Services (ODAS), which have a higher percentage of County funds.

H&SS has requested to fill all vacant positions in E&E (approximately 17.0 FTE). In addition, the Board recently allocated an additional 20 Employment Benefits Specialist (EBS) positions on a limited-term basis. Costs for these positions will be 100% funded through the increase in State and Federal allocations, with no increase in CGF required. The additional staffing will allow H&SS to reduce waiting times for clients seeking assistance, improve compliance with program requirements and maximize Federal and State funding for both program administration and direct cash assistance to Solano County residents.

CWS programs have experienced a decrease in State and County funding and elimination of 33 positions in the past year. However, current staffing levels in Social Services programs are at the point where the Department will under spend available State/Federal funds. These reductions have significantly curtailed the Division's new program initiatives, which had been successful in improving outcomes for children and reducing the number of foster care placements. H&SS will request to add an additional 6.0 FTE Social Worker (SW) III positions, in order to maintain these improvements in service delivery as much as possible. These positions will not require an increase in CGF and will be offset by State and Federal program funding.

Adult Protective Services (APS) and In Home Supportive Services (IHSS) caseloads continue to grow each year. As a result of position deletions since the budget was approved in June 2009, and additional positions deleted as a result of Early Retirement Incentive, the Division staffing level has dropped significantly. H&SS was unable to keep up with the demand for services and program requirements prior to the reduction of staffing in 2009. Some of the SWII positions restored by the Board in early December will be deployed in IHSS and APS. However, H&SS anticipates continued inability to manage the growing caseloads. The Department received an IHSS Fraud Prevention Grant, which will provide funding for a dedicated interdisciplinary team to investigate reported/suspected fraud and provide training for IHSS staff and providers in fraud prevention. Funds have been allocated through June 30, 2009; the Department will hire Extra Help staff for the five-month period.

The Governor's budget for the IHSS program included provider wages set at \$8 per hour, and significant reductions in the scope of benefits for most consumers. The County's final budget

for IHSS program costs anticipated a reduction from the prior year wage of \$11.50 per hour, to \$9.50 per hour through June 2010.

The State was sued on the proposed decrease in wages, and on almost all of the proposed programmatic reductions. As a result, counties were required to maintain the wage in effect as of February 2009 until any existing MOUs with SEIU expired and were renegotiated. Most reductions in service hours for IHSS recipients were not implemented, also due to the injunctions. The State was required by the court to continue providing their share of funding at the wage in effect as of February 2009. As a result of the Court injunction, Solano County has continued to pay wages at the rate of \$11.50 per hour. The \$2.00 per hour increase in wages, over the budgeted amount, has been offset by higher than anticipated State funds as a result of the injunction.

Behavioral Health Overview

Mental Health (MH) continues to see a decline in institutional placements, but there is a continued need for housing support for clients, notably in board and care facilities. Revenues to support MH programs have been inadequate for a number of years. MH continues to experience delayed payments from the State. The Final Budget was adjusted by the Auditor Controller's Office to include the FY2008/09 cash deficit, on the assumption that payments would be received in the 2nd Quarter for prior year costs. As a result, the Mental Health Division began the fiscal year with a deficit of \$2.2 million. While the prior year revenues have been received, reimbursements for FY2009/10 are below estimates. In addition, the loss of \$1.7 million in Realignment revenue for the Mental Health account has reduced overall anticipated revenue for the MH Division by \$1,968,269.

Selected MH services have been included in the Family Health Services (FHS) budget since the County received designation as a Federally Qualified Health Center (FQHC) in 2005. In October 2009, the State audited H&SS billing under FQHC; comparing actual costs to the interim payment rate established by Medi-Cal. As a result, H&SS will receive a one-time settlement in FY2009/10, which will be distributed to both FHS and MH. The one-time revenue will provide sufficient funding to offset the loss of Realignment funding for MH in the current year. However, it is anticipated that Realignment will remain flat in FY2010/11, and that State funding for MH programs will likely continue to decline. In order to provide services within the resources available, the MH Division has implemented a number of organizational and programmatic changes in 2009. These efforts will continue with a focus on maximizing the FQHC revenue through the establishment of integrated clinical services, providing both physical and behavioral health services in a "medical home" model.

Funding for Substance Abuse services has been inadequate historically, and State funding was significantly reduced in FY2009/10 (with an associate loss of matching Federal funds). Similar to MH, Substance Abuse experienced significant delays in receiving State payments in the prior year and, therefore, began the fiscal year with a deficit of \$500,000 to account for the receipt of prior year revenues in the current year. Due to funding cuts, there has been an increase in the waiting list from 65 to 125 clients.

Health Services Overview

Public Health (PH) programs are funded with a variety of State and Federal grants, Realignment, fees for services and CGF. Due to delayed State payments, the Auditor-Controller also adjusted the Final Budget for Health Services budget, and incorporated a (\$200,174) deficit. The Public Health Division ended the year with a \$1.7 million deficit, offset by \$1.5 million surplus in Family Health Services (FHS). While all of the prior year revenue was

received in FY2009/10, there was a significant reduction in funding when the State's budget was finalized in August 2009. The resulting program reductions were reported to your Board on September 1, 2009.

FHS continues to experience an increased demand for services. New facilities were opened in December 2009, which will greatly expand clinic capacity. FHS will need to increase physician, nurse practitioner and support staff in order to keep up with demand and maximize use of the new larger facilities. The Dental Clinic has generated significant new revenue through its oral health program for children initiated in 2009 in the County WIC clinics in both Fairfield and Vallejo. The new revenue offsets the loss of Medi-Cal revenue associated with the State's decision to eliminate dental services for adults. The Dental Clinic continues to serve adults on a fee-for-service basis (sliding scale).

The County's primary care clinic capacity has expanded from estimated 31,856 visits in 2005 when FQHC was established to 44,595. As an FQHC, H&SS is reimbursed for services provided to Medi-Cal patients based upon costs, rather than a flat capitated amount, or fee for service. The increase in Federal funding for FHS has allowed H&SS to reduce CGF and Realignment for the clinics, utilizing these funds to offset losses in PH programs.

In order to maximize the Federal funding, H&SS has already begun developing an integrated clinic service model, including behavioral health services provided through FHS. H&SS has received approval from the Federal government for the two new facilities and will maintain FQHC status at the existing sites. This will allow H&SS to bill for additional MH clinical services under FQHC at 2101 Courage Drive and at 355 Tuolumne Street, once the building renovations are complete and MH programs offered elsewhere in Vallejo are relocated to the campus. The Bureau of Primary Health Care (BPHC), which oversees the FQHC programs, strongly supports the integrated service model and the concept of a medical home. The State is currently preparing a Medi-Cal waiver request to the Federal government, which will include a request for expansion of Federal funding for indigent services and establish the "medical home" model for most patients in order to improve coordination of care, especially for those clients with the highest needs and costs.

As a result of these changes, FHS staffing and service levels have been increased, the array of services provided has expanded, and clinic sites have been expanded from two to four. While FQHC status provides a higher reimbursement level, it also places new requirements on H&SS for fiscal reporting, patient quality of care and recordkeeping; as well as expanded service requirements to ensure that patients have access to care, including physical, behavioral, dental, and other support services. As a result of the expansion and additional administrative requirements, H&SS is reviewing the current organizational structure of FHS and anticipates the need for additional resources for fiscal management, IT support, patient billing and quality assurance. Resources are also needed to implement the required Electronic Health Record for all patients served through FHS. H&SS anticipates that the additional resources will be fully covered by revenues.

HEALTH AND PUBLIC ASSISTANCE

H&SS projects a decrease of (\$9,557,106) in expenditures and a decrease of (\$9,434,436) in revenues as compared to the working budget. The Final Budget for FY2009/10 was adjusted by the Auditor to reflect a year-end cash deficit for FY2008/09, which was caused by the State's decision to defer more than \$7,000,000 in payments to H&SS beyond the 90-day accrual period. The Working Budget deficit of (\$3,100,000) has been eliminated at Midyear due to receipt of most of the delayed State cash payments, and H&SS projects a small surplus of \$122,670.

Expenditures are expected to decrease from Working Budget as a result of:

- A decrease in Salary and Benefits of (\$5,122,568) due to position vacancies and deletions; a reduction in MIP and elimination of COLA for Senior Management; and reduced employer contributions to PERS for Mid-Management
- A decrease in Service and Supplies of (\$1,091,874) as the result of Department efforts to reduce costs for travel, consulting services and other non-client expenses. In addition, DoIT charges were reduced by approximately (\$500,000). Also, charges for postage were transferred to a new subobject (3697).
- A decrease in Other Charges of (\$2,872,605) as a result of:
 - A decrease of (\$1,900,000) in Child Care Services for clients in the CalWORKs program as a result of changes in program rules, which reduced the demand for child care support.
 - A decrease of (\$1,200,000) in Contracted services, the net of (\$560,000) in lower costs for Children's residential placements, (\$436,000) due to delay in implementation of the Workforce Educational Program under MHSA, and (\$318,000) in contracted services for PH programs due to State budget cuts.
 - A decrease of (\$175,000) decrease in interest expense due to refinancing of the debt for the Courage Drive/Beck Avenue facilities.
 - A net decrease of (\$207,403) in Public Assistance.
- A decrease of (\$472,000) decrease in Other Financing Uses due to lower charges for Pension Obligation Bonds upon the deletion of 79 positions since adoption of the Budget.

Revenues are expected to decrease by (\$9,434,436) as a net result of:

- A reduction of (\$7,342,534) in Intergovernmental Revenue due to:
 - A decrease of (\$4,100,000) in Realignment revenues due to the slow economy; the Working Budget anticipated \$40,000,000 in Realignment revenue, down from a FY2007/08 actual of \$44,600,000.
 - A decrease of (\$2,800,000) in State/Federal revenues as a result of under spending the allocations for administration of public assistance programs. Due to the deletion of positions, early retirement incentives and the hiring freeze, H&SS claiming for the first two quarters was significantly below budget. The loss of Federal and State funds did not result in any savings in CGF.
 - A decrease of (\$823,000) in Federal matching funds for APS and IHSS programs, due to lower claimed costs as a result of staffing reductions.
 - A decrease of (\$488,000), the net of a (\$2,300,000) decline in State funding for Mental Health programs, partially offset by an increase of \$1,800,000 in Federal funding as a result of American Recovery and Reinvestment Act (ARRA) monies, which temporarily increased the Federal share of Medi-Cal costs from 50% to 61%.
 - A decrease of (\$1,000,000) in State funds, and consequently Federal matching funds, for Child Welfare Programs.

- A decrease of (\$122,000) in Charges for Services is the net of underperforming collection of prior year revenues for MH services, offset by a one-time cost settlement for FQHC.
- A decrease of (\$1,200,000) in County Contribution, attributable to staffing reductions approved by the Board in November 2009.

Administration – 7501

The Division projects a decrease of (\$288,065) in expenditures and an increase of \$288 in revenues when compared to the Working Budget, for an overall savings of (\$288,353).

The Division's projected changes from the Working Budget include:

- A net decrease of (\$207,871) in Salaries and Employee Benefits due to longer than anticipated times in filling vacant positions.
- A net decrease of (\$308,194) in Services and Supplies, including a reduction of (\$234,472) in DoIT costs.
- A net decrease of (\$217,980) in Other Charges due primarily to lower than anticipated costs of (\$10,500) in indigent care, (\$175,000) in interest expense, and (\$55,000) in Interfund Services – Accounting and Audit.
- A net decrease of (\$19,860) in Other Financing Uses for Pension Obligation Bond costs.
- A net decrease of (\$464,117) in Intra Fund Transfers due primarily to the overall decrease in expenditures allocated to program divisions via the department's administrative cost allocation.

Public Guardian – 7550

The Division projects decreases of (\$260,659) in expenditures and (\$260,050) in revenues when compared to the Working Budget, for an overall savings of (\$609).

The Division's projected changes from the Working Budget include:

- A net decrease of (\$235,197) in Salaries and Employee Benefits due to the loss of (1.0) FTE Deputy Public Guardian/Administrator/Conservator and (1.0) FTE Social Services Worker.
- A net decrease of (\$7,500) in Services and Supplies due primarily to the following:
 - A decrease of (\$6,400) in Postage, due to transfer of appropriation to the new sub-object Interfund Services-Postage;
 - A decrease of (\$5,517) in Other Professional Services due to reduced use of temporary employment staff for administrative support.
 - A decrease of (\$5,183) in DoIT charges.
- An increase of \$1,519 in Other Charges as a result of the transfer of appropriations from the 2000 Budget Category.
- A net decrease of (\$7,129) in Operating Transfers Out (debt service) and Pension Obligation Bonds.

- A decrease of (\$12,352) in Intra Fund Transfers resulting from a reduction in the allocated amount of H&SS administrative costs.
- A net decrease of (\$254,903) in CGF Contribution resulting from the significant reduction in expenditures. New state regulations for Institute for Mental Diseases (IMD) and Board and Care placements are unresolved at this time. These changes may shift some costs for Public Guardian clients to counties and would potentially reduce CGF savings for this Division.

In-Home Supportive Services - 7690

The Division projects decreases of (\$249,273) in expenditures and (\$252,582) in revenues when compared to the Working Budget, for an overall increase of \$3,309.

Administrative support for the IHSS Public Authority is budgeted in the Health and Social Services Department Fund 902.

The Division's projected changes from the Working Budget include:

- A net decrease of (\$220,950) in Salaries and Employee Benefits due to the following:
 - Public Administrator position was filled as Extra-Help.
 - (2.0) FTE Social Worker II and (1.0) FTE Extra-Help Office Assistant II positions were transferred to Older and Disabled Adults Services Division.
- A net decrease of (\$21,032) in Services and Supplies, including:
 - A decrease of (\$9,464) in Office Expense.
 - A decrease of (\$6,315) in Postage due to the transfer of appropriation to the new sub-object Interfund Services-Postage.
 - A decrease of (\$2,723) in costs for IT projects that require DoIT staff time.
 - A decrease of (\$2,500) in Rents & Leases – Equipment.
- A net increase of \$3,021 in Other Charges as a result of the following:
 - A decrease of (\$3,229) in Interfund Services-Professional.
 - An increase of \$3,000 in Interfund Services-Postage due to the transfer of appropriation from the 2000 Budget Category.
 - An increase of \$3,241 in Interfund Services-Mnt Labor.
- A decrease of (\$7,019) in Operating Transfers Out (debt service) and Pension Obligation Bonds.
- A decrease of (\$3,293) in Intra Fund Transfers resulting from reductions to the allocated amount of H&SS administrative costs.
- A decrease of (\$252,582) in Operating Transfers In from Fund 152.

Mental Health - 7700

The Division projects decreases of (\$2,065,972) in expenditures and (\$1,998,779) in revenues when compared to the Working Budget, for a savings of (\$67,193).

- The Division's projected changes from Working Budget include:
 - A net decrease of (\$764,074) in Salaries and Benefits primarily due to the late acceptance of a job offer for the Mental Health Medical Director.
 - The deletion of (9.0) vacant FTE from Mental Health core programs.
 - A reduction of (8.0) extra help positions.
 - Layoff of (4.5) FTE from the Juvenile Hall and Juvenile Drug Court CGF-funded programs.
- A net decrease of (\$222,701) in Services and Supplies is the result of various decreases in projected operating costs, including:
 - A (\$21,405) combined decrease in Equipment Under \$1500 and Computer Components Under \$1,500 is the net result of staff using surplus equipment instead of purchasing new items.
 - A (\$99,200) decrease in Other Professional Services is primarily due to the lower utilization of temporary help services than originally anticipated. The Division was able to hire clerical positions as needed rather than using temporary positions for clerical support until vacancies were filled.
 - A decrease of (\$50,759) in H&SS CDP costs is the result of reduced information technology costs charged to the Division.
 - A decrease of (\$20,000) in Software Maintenance is the result of an invoice for software being paid in last fiscal year rather than in this fiscal year.
 - A decrease of (\$24,100) in Ambulance costs is due to mobile crisis staff driving to facilities to evaluate patients rather than patients being transported to the staff by ambulance.
- A net decrease of (\$858,812) in Other Charges is primarily due to a decrease of (\$814,241) in Contracted Direct Services. Children's contracts for residential services that serve dually diagnosed children and adolescents are projected to be lower than anticipated due to the Division's success in placing children in more appropriate, lower cost, and less restrictive community-based services. Additionally, the Division is projecting a decrease in Mental Health Services Act (MHSA) contracts attributable to savings in Workforce Education and Training (WET) implementation costs. WET funding can be rolled over into next fiscal year, and the Department will budget for full implementation of the component in FY2010/11.
- The Division is also projecting decreases in IMD placement costs of (\$89,434) resulting from intensive management of adult patients to more appropriate, lower cost, and less restrictive facilities. The decreases are offset by an increase of \$48,880 in Support and Care of Persons for temporary assistance to patients. Due to the current economic situation, the Division is experiencing increased requests from clients to pay for rent and other incidentals while they are waiting for their government benefits to be established.

- A decrease of (\$97,980) in Other Financing Uses is due to decreases of (\$21,083) in Debt Service Costs and (\$76,897) in Pension Obligation Bond costs due to the deletion of staff.
- Intra Fund Transfers are projected to decrease by (\$122,405) due to a reduction in departmental administrative staff costs, the discontinuance of an extra help Eligibility Benefit Specialist from the Employment and Eligibility Division, and less reimbursement from the Family Health Services Division as a result of turnover in psychiatrist positions.
- A decrease of (\$697,780) in Intergovernmental Revenues for this Division is projected primarily due to a decrease of (\$1,684,901) in Realignment revenues as a net result of declining sales taxes and vehicle license fees due to the economic downturn. This decrease is offset with an increase of \$556,742 in Short Doyle Quality Assurance (QA) revenues. Staff reassignments to the QA unit and an overall increase in QA time study hours have resulted in a projected increase in QA monies. An increase of \$116,033 in Federal Other is due to unspent prior year rollover monies from the Projects for Assistance in Transition from Homelessness (PATH) and Substance Abuse Mental Health Administration (SAMHSA) programs.
- Based on direction from the Auditor-Controller's Office, revenues associated with AB3632 children's services are classified as State Other monies in the Midyear projection rather than State Reimbursed Mandated Costs. As a result of this reclassification, State Other revenues are increased by \$568,898. This number reflects an increase of \$1,163,298 in AB3632 monies, which is offset by a reduction of (\$859,747) in MHSA revenue. The State reduced the Division's AB3632 allocation, and the Division is expecting (\$324,163) less than originally budgeted for AB3632 monies. A decrease in MHSA revenues is projected due to fewer expenses anticipated for MHSA activities.
- An increase of \$1,863,342 in American Reinvestment and Recovery Act- Federal Medical Assistance Percentage (ARRA-FMAP) revenues is attributed to the 11% temporary increase in the FMAP rate. As these revenues were budgeted in State S/D Medical and Child Health Fees in the Working Budget, these subobjects reflect decreases of (\$567,225) and (\$2,537,634) respectively.
- The decrease of (\$2,537,634) in Child Health Fees for Early Periodic Screening Diagnosis and Treatment (EPSDT) is due to the reclassification of ARRA-FMAP revenues as well a decrease in expected collections of prior year deferred revenues. The State general fund reimbursement rate was reduced as a result of the temporary increase in FMAP. As mentioned above, the increase in the Federal share for EPSDT is reflected in its own subobject. A decrease of (\$875,000) in EPSDT monies is due to lower than expected collection of prior deferred revenues. A total of \$2,100,000 was included in the FY2009/10 final budget to recognize the anticipated receipt of prior year deferred revenues in the current year. The Midyear projection includes expected EPSDT revenues through May. The Department will revisit the accrual projection during Third Quarter.
- The Midyear projection for this Division reflects an increase of \$1,499,999 in Medi-Cal Services representing FQHC cost settlement monies for fiscal periods ending June 2006 thru 2009. This one-time windfall will be used to offset projected losses in realignment, Short Doyle and EPSDT revenues within the Mental Health Division as the Department integrates mental health services under the FQHC model.
- An increase of \$231,845 in Other Revenue is due to the reversal of contract over-accruals from prior year and recoupment of disallowances from contract providers.

- A decrease of (\$432,266) in County Contribution is a result of the layoff of (4.5) FTEs associated with the Juvenile Hall and Juvenile Drug Court as approved by the Board in November 2009.

Substance Abuse - 7560

The Division projects increases of \$101,991 in expenditures and \$101,991 in revenues when compared to the Working Budget, for no change in County General Fund contribution.

- The Division's projected changes from Working Budget include:
 - A net decrease of (\$325,544) in salaries and benefits primarily due to reductions in staffing based on the Board actions in September 2009 and early retirements.
 - A net decrease of (\$42,150) in Services and Supplies is primarily due to decreases of (\$18,600) for rent and (\$3,256) in Household expenses associated with staff moving from 650 Georgia Street to 250 Georgia Street and 655 Tuolumne Street.
 - A decrease of (\$27,693) in DoIT costs.
 - These decreases are offset by increases of \$4,800 in Education and Training due to the Justice Assistance Grant and \$4,005 for utilities at 2101 Courage Drive.
 - An increase of \$386,012 is projected for Other Charges primarily due to an increase of \$378,634 in Contracted Direct Services. The Substance Abuse Division was designated as the lead agency for the Proposition 36 program, and as a result, Offender Treatment Program funds are projected for this Division. Most of the funding will be used for client direct services. Solano County was recently awarded a Justice Assistance Grant, which will provide funding for direct client services. The additional net increase of \$6,478 is due to the reclassification of costs charged by other County departments.
 - A (\$12,179) decrease in Other Financing Uses is the result of lower POB costs due to the deletion of positions and early retirements.
 - A net increase of \$95,852 in Intra Fund Transfers is primarily the result of the reduction of a Clinical Services Associate position by Board action in September 2009. The Child Welfare Division previously provided funding for the position. This reduction in funding (\$108,613) was offset by a decrease of (\$12,761) in departmental administrative overhead allocated to the Substance Abuse Division.
- Projected revenues reflect a net increase of \$101,991 in revenues due to:
 - Decreases of (\$56,733) in State Short/Doyle.
 - Decreases of (\$81,152) in State Alcohol and Drug revenue.
 - Decreases of (\$9,153) in State Drug Abuse.
 - Decreases of (\$33,682) in Federal Alcohol & Drug SAPT.
 - Decreases of (\$233,024) in Proposition 36 funding.

These decreases are offset by an increase of \$33,027 in ARRA Federal Medical Assistance Percentage (FMAP) monies. Federal ARRA monies provide funding for Drug Medi-Cal

(DMC) services instead of state funds. While FMAP provides additional funding, overall DMC services for Substance Abuse are lower than projected due to fewer clients requesting services.

The decreases in revenue were further offset by an increase of \$481,439 in Grant Revenue associated with the Offender Treatment Program and Justice Assistance Grant.

Managed Care - 7598

The Division projects decreases of (\$402,453) in expenditures and (\$402,453) in revenues when compared to the Working Budget, for no change in County General Fund contribution.

- Salaries and Benefits for this Division are projected to decline by (\$128,842). This reduction is due to a Mental Health Manager being reassigned to the Mental Health Division and a reduction in extra help costs.
- A net decrease of (\$63,255) in Services and Supplies is primarily the result of a reduction of (\$60,018) in H&SS DoIT Time Study costs. Minimal increases and decreases in other subobjects provide the remaining reduction of (\$3,237) in services and supply costs.
- Other Charges are projected to have a net decrease of (\$198,040), due primarily to a (\$200,000) decrease in Contracted Direct Services as the result of fewer clients receiving services. This reduction is offset by a net increase of \$1,960 in Interfund Services subobjects due to the reclassification of expenses from other County Departments.
- A net increase of \$952 in Other Financing Uses is due to an increase in POB costs.
- Intra Fund Transfers are reduced by (\$13,268) due to a projected decrease in Departmental administrative costs allocated to this Division.
- A (\$402,453) reduction in revenues is projected for this Division. This Division receives revenue based on a capitation rate for Medi-Cal services provided. The Working Budget assumed that \$326,422 would be transferred from the Managed Care trust fund to support program costs. As expenses for this Division are projected to be lower than the Working Budget, the Department projects a corresponding reduction in the amount of revenue it anticipates transferring from the trust.

Public Health – 7800

The Division projects decreases of (\$536,497) in expenditures and (\$492,838) in revenues when compared to the Working Budget for an overall savings of (\$43,659).

- Salaries and Benefits are projected to decline by (\$21,448), position deletions offset by the utilization of Extra Help for H1N1 and Women Infants & Children (WIC). The Midyear projection assumes that all vacant positions will be filled.
- Services and Supplies show a decrease of (\$153,445) primarily due to a (\$166,181) decrease in Consulting and Contracted Services. These decreases are mainly from Emergency Preparedness and Response (EPR) contracts. These contracts were originally anticipated when the County received the additional H1N1 funding; however, the contracts will not be needed. In addition to the decrease in contracts, there was a (\$15,955) decrease in meals and refreshments, and a (\$13,169) decrease in personal mileage and travel.

- These decreases are offset by increases to WIC and EPR due to additional revenue. Other offsets include an increase of \$24,127 in office expense for EPR that was necessitated by the increase in personnel and activities related to the addition of the \$1,153,532 in H1N1 funding, and \$81,569 in Special Departmental Expenses for increased advertising for H1N1 and the purchase of educational materials and equipment for a new Solano Transportation Authority grant referenced in Intergovernmental Revenue below. Further, there has been a reallocation of certain internal charges such as postage, county professional and other services from this category to Other Charges category. This reallocation will be carried forward in future years.
- Other Charges are decreased by (\$266,976), primarily the result of a decrease of (\$274,123) in contracted direct services and a (\$44,856) decrease in contributions to non county agencies. The contract differences are due reduction in State funding for Maternal Child and Adolescent Health (MCAH), HIV/AIDS, Immunization, and Smile In Style. These State reductions are referenced in State Revenues below. The contribution to non-county agencies was originally projected for the additional H1N1 funding, but was moved to education and training for community partners and equipment.
- This is partially offset by increases of \$54,306 in postage and other Interfund Services shifted to this category from Services and Supplies as referenced above.
- Debt service decreased (\$16,816).
- Pension Obligation Bond costs decreased (\$50,469).
- Intra Fund Transfers decreased (\$27,343), the net of a (\$76,322) decrease in administrative overhead and an increase of \$48,979 in services performed by this Division.
- Licenses, Permits & Franchise fees increased (\$3,242) due to higher License and Permit activity.
- Forfeitures and Penalties decreased (\$15,000) due to a more accurate forecasting of revenues.
- Interest income decreased (\$13,060).
- Intergovernmental Revenue is projected to decrease by (\$716,023) due primarily to shifting Human Resources (HR) funds for Occupational Health from this category to Charges for Services, and from losses of (\$194,768) in State Realignment and (\$304,887) in State Revenue, coupled with a projected increase of \$367,798 in Federal Aid due primarily to a one time addition to the WIC allocation. The Office of Traffic Safety (OTS) grant in the amount \$130,458 was not renewed this year; however, the Division was able to obtain a grant from the Solano Transportation Authority in the amount of \$139,850 of offset the OTS loss.
- The increase in Federal revenue is primarily due to the receipt of deferred revenue from the prior fiscal year. The Division started the year with a deficit because revenue was deferred due to the uncertainty of when revenue would be received at FY2008/09 year end. Deferred revenue received is offsetting reductions to Federal and State revenues as well the projected decline in realignment revenues, and is also reflected in the Family Health Services Division.
- State revenue reductions for the California Children's Services program continue to be a concern. Previously, the program was fully reimbursed. Due to changes at the State level,

the program received an allocation for FY2008/09. While the State has provided an allocation, they have not clarified invoicing procedures for the allocation. Until the State clarifies the process, the true impact of the change in reimbursement for this program will not be known.

- Charges for Services show an increase of \$439,893 due primarily to a change in line items for revenue generated from HR as noted above. Previously, the revenue from HR was booked in Intergovernmental revenues. Better revenue collection procedures in the Public Health Laboratory have also contributed to an increase in revenue for services provided.
- Other Revenue shows an increase of \$6,724 primarily due to an increase in the Kaiser Permanente contribution to the County for family planning for teen pregnancy prevention activities.
- Other Financing decreased (\$198,614) due primarily to a decrease in County General Fund. Additionally, County General Fund was shifted between all divisions in Health and Social Services to cover the expense for the newly developed Nurse Family Partnership program.

Family Health – 7580

The Department started FY2009/10 with a deficit of (\$206,548) from the prior fiscal year and projects increases of \$91,646 in expenditures and \$81,051 in revenues when compared to the Working Budget, for a net surplus of \$195,953.

The Division's projected changes from Working Budget include:

- \$82,073 in increased Salaries and Benefits resulting from added Extra Help positions funded by an ARRA grant, increasing the dentist from half-time to full-time and filling all six of the vacant positions. These positions are needed to accommodate clinic expansion and are either revenue generating or critical to program operations.
- Services and Supplies show a net increase of \$48,514, which is primarily due to an increase in utilities and water due to expansion of clinics. This increase is offset by a reallocation of certain internal charges such as postage, county professional and other services from this category to Other Charges category. This reallocation will be carried forward in future years.
- Other Charges show an increase of \$46,093 due to shifting costs from Services and Supplies to this category. These costs include X-Rays for TB clients and Interfund Services such as small projects and postage.
- Financing costs are reduced (\$22,668) due to a decrease in debt service and Pension Obligation Bond costs.
- Intra Fund Transfers decreased (\$62,366), the net of a decrease in projected administrative overhead costs and a decrease in expenses for behavioral health services resulting from the temporary vacancy of a psychiatrist position due to a resignation that has not yet been filled.
- Realignment revenues are projected to decrease (\$286,483) due to lower than expected sales tax and vehicle license fee revenues.
- ARRA revenues show an increase of \$88,527, offsetting the above increase in Salaries and Benefits.

- State and Federal Aid show a decrease of (\$202,094). This was a placeholder used to show the revenue not materialized in FY2008/09. These revenues have been received in FY2009/10 in Public Health.
- Charges for Services increased \$473,569 as a result of overall clinic traffic being up and reimbursed FHQC rates.
- Miscellaneous Revenues increased \$8,556 due mainly to staff development support from Community Clinic Consortium.
- Other Financing decreased (\$1,032) due to a decrease in County General Fund.

Employment and Eligibility Services – 7650

The Division projects decreases of (\$3,064,781) in expenditures and (\$1,959,910) in revenues when compared to the Working Budget, for an overall savings of (\$1,104,871).

The Division's projected changes from the Working Budget include:

- A net decrease of (\$827,516) in Salaries and Benefits primarily due to vacant positions, retirements, and deletions of vacant and filled positions. The Division also curtailed use of extra-help employees and overtime to cut costs. These reductions were offset by a slight increase in leave payoffs due to unanticipated retirements and resignations. Changes to position allocations include:
 - (25.0 FTE) deleted positions: (1.0) FTE Clerical Operations Supervisor, (1.0) FTE Eligibility Benefit Specialist Supervisor, (7.0) FTE Employment Resource Specialist II, (1.0) FTE Employment Resource Benefit Supervisor, (1.0) FTE Office Assistant III, (5.0) FTE Office Assistant III, (1.0) FTE Office Coordinator, (2.0) FTE Program Specialist, (2.0) FTE Special Program Supervisor, (4.0) FTE Staff Development Trainer.
 - 24.0 FTE existing positions were transferred from the Older and Disabled Adult Services budget to the Employment and Eligibility Budget as a part of reorganization.
 - Projection includes the approval to hire 20.0 EBS limited-term positions starting in February, and filling all other vacant positions in this Division.
- A decrease of (\$255,428) in Services and Supplies, due to systemic change in posting county internal charges such as postage, county professional and other services from this category to Other Charges category. The decrease was partially offset by minor cumulative increases in Central Data Processing Services, County Garage and Utilities.
- A decrease of (\$1,770,037) in Other Charges, the net of:
 - A reduction of (\$1,883,226) in the Child Care Services contract with Solano Family and Children's Services based upon projected decreases in demand for child care services resulting from changes in CalWORKs program requirements. These changes allow counties the flexibility to exempt individuals with high supportive services costs from mandatory welfare to work requirements, resulting in fewer child care service referrals.
 - An increase of \$113,189 in new accounts for Small Projects and Postage previously budgeted under Services and Supplies.

- A decrease of (\$76,405) in Other Financing Uses due to reduction in debt service costs for the Beck Avenue and Courage Drive facilities and POBs for vacant and deleted positions.
- A decrease of (\$135,395) in Intra Fund Transfers, the net of reduced Administration Division overhead charges, offset by an increase in Intra-Fund Services due to deletion of a part-time eligibility worker assigned to Mental Health.
- A decrease of (\$1,919,335) in Intergovernmental and Other Revenue is primarily due to:
 - Substantial vacancies in eligibility and employment worker positions as well as deletions of filled and vacant positions have resulted in reduced staffing for the major eligibility programs.

These reductions directly impact the Department's ability to earn and draw down the full FY2009/10 allocations for MediCal, CalWORKS, Food Stamps and CMSP funding. Delaying hiring of allocated and vacant positions will result in greater revenue loss. H&SS will be hiring 20.0 FTE EBS limited-term positions to address caseload increases and provide services to clients in a more timely manner.

Federal and State revenue estimates will decrease again in the Third Quarter projection if all vacant positions as well as the requested limited term positions are not filled. The unfortunate result would be to return allocated funding to the State at year end. To maximize the use of available State and Federal Funding by earning the lost revenue described below, funded positions in Employment and Eligibility could be added back or hired as limited term positions.

- A decrease of (\$1,901,520) in State and Federal Food Stamps revenue, unearned due to staff reductions. No additional County General Fund is required to draw down this revenue; therefore, this is a net loss in funding to the County.
- A decrease of (\$970,305) in CalWORKS revenue, unearned due to staff reductions. In the October 27, 2009 Board report, H&SS discussed a shift within the CalWORKS allocation from child care expenditures to eligibility activities that require staffing. CalWORKS program staffing is insufficient to draw down this revenue. No additional County General Fund is required to draw down this revenue; therefore, this is a net loss in funding to the County.
- An increase of \$235,200 in Medi-Cal revenue is projected, assuming that H&SS can hire the requested 20.0 FTE limited term Eligibility workers in February and fill all other vacancies in Welfare Administration and Employment and Eligibility Divisions.
- An increase of \$214,374 in County Medical Services Program (CMSP) allocations due to caseload increases. This is the first increase received by the County for CMSP eligibility administration. Filling vacancies and the 20.0 FTE limited term positions will assist in drawing down this revenue. It is extremely important that the allocation be fully expended in order to maintain funding in future years.
- Additionally, the new CMSP contract will institute performance measures resulting in a 5% decrease in future year allocations if the CMSP error rate does not substantially decrease.
- An increase of \$274,996 in Substance Abuse/Mental Health revenue due to improved allocation for the fiscal year.

- An increase of \$225,117 in Federal revenue, attributed to unanticipated ARRA funds.
- A decrease of (\$41,510) in County General Fund, due to staff reductions described in the October 27, 2009 Board report and implemented by the Board on November 24, 2009.

Child Welfare Services – 7600

The Division projects decreases of (\$1,091,976) in expenditures and (\$1,101,524) in revenues when compared to the Working Budget, for an overall increase of \$9,548.

The Division's projected changes from the Working Budget include:

- A net decrease of (\$1,085,144) in Salaries and Employee Benefits resulting from the following factors:
 - A decrease of (\$1,203,439) for salary and benefits costs due to loss of (24.0) FTE positions: (1.0) FTE Office Assistant II, (1.0) FTE Program Specialist, (9.0) FTE Social Services Worker, (8.0) FTE Social Worker II, (5.0) FTE Social Worker III; in addition to deleted positions of (5.0) FTE that are no longer available due to early retirements.

This projection includes the cost of filling 4.0 FTE Social Workers III vacant budgeted positions; the cost of merit and longevity increases; and the cost of 4.0 FTE additional Social Worker III positions being requested as add backs.

- A net increase of \$118,295 for accrued leave payoffs.
- A net increase of \$29,737 in Services and Supplies, attributed to the following:
 - A decrease of (\$20,000) in Postage due to transfer of costs to a new account for postage under Other Charges.
 - An increase of \$36,030 in Contracted Services due to additional funding allocated for Children's Network contract.
 - An increase of \$7,970 in computer costs due to additional DoIT Time Study costs of \$52,824, offset by reduced costs in software license/maintenance agreements (\$3,604), CDP costs (\$28,069) & services (\$13,181).
- An increase of \$179,682 in Other Charges, the net of the following factors:
 - A decrease of (\$14,950) in Contracted Services due to increased funding for Family Resource Center (FRC) contracts, offset by a decrease in the THP Plus contract.
 - An increase of \$18,062 in Direct Costs for youth outreach services;
 - An increase of \$153,000 for expenditures in settlement of employee claims against the County.
 - An increase of \$20,000 in Postage due to transfer of costs from postage account under services and supplies (subobject 2205).
- A decrease of (\$78,601) in Other Financing Charges attributed to diminished POB costs due to deletions of positions, early retirements and layoffs.

- A decrease of (\$137,650) in Intra Fund Transfers, the net of a decrease of (\$29,037) in Intra Fund Transfers of H&SS overhead charges and a decrease of (\$108,613) as a result of the deletion of salary charges for 1.0 FTE Clinical Services Associate for substance abuse assessments of CWS clients.
- A decrease of (\$878,541) in Intergovernmental Revenues, attributed to: a net \$61,414 increase to State Revenues for Foster Care, Adoptions and Child Welfare Services programs; a net decrease of (\$366,000) in realignment revenues' and a net decrease of (\$573,955) in Federal revenues, primarily due to loss of matching funds for Child Welfare programs from County General Fund and Realignment decreases.
- A decrease of (\$245,744) in County General Fund, due to savings achieved as a result of reductions in staffing.

Older and Disabled Adults Services – 7640

The Division projects decreases of (\$1,202,269) in expenditures and (\$1,888,384) in revenues when compared to the Working Budget for an overall increase of \$686,115.

The Division's projected changes from the Working Budget include:

- A decrease of (\$993,127) in Salaries and Employee Benefits due to the following:
 - The loss of (5.5) FTE as follows: (1.0) FTE Deputy Director, (1.0) FTE Administrative Secretary, (1.0) FTE Public Health Nurse, (1.5) FTE Social Worker II, and (1.0) FTE Social Services Worker (LT).
 - The reduction of (10.0) FTE Social Workers who opted for early retirement.
 - A decrease of (\$690,310) for staff in budget unit 7644 transferred from ODAS Division 7640 to the Employment and Eligibility Division 7650 under departmental reorganization.
 - An increase of \$365,544 for 10.0 FTE Extra Help Social Worker II positions to mitigate severe loss of line staff in this Division.
 - The projection includes the cost for 2.0 FTE Social Worker III positions being requested as add backs.
- A net decrease of (\$160,576) in Services and Supplies, due primarily to the following:
 - A decrease of (\$29,000) in Postage as a result of the transfer of cost to new sub object 'for postage in Other Charges.
 - A decrease of (\$117,848) in Contracted Services for the CMIPS II (Case Management, Information and Payroll System Project) used in the IHSS program, due to a delay in the State's timeline for implementation of the new system.
 - A decrease of (\$19,672) in Other Professional Services due to a reduction in the use of temporary employment agencies.
- An increase of \$20,181 in Other Charges, the net of a (\$5,000) decrease in Attendant Care and a \$25,550 increase in Postage charges moved from services and supplies to other charges.

- A decrease of (\$41,393) in Other Financing Charges resulting from a (\$10,515) decrease in Operating Transfers Out for debt service charges and a (\$30,878) decrease for Pension Obligation Bonds.
- A decrease of (\$27,354) in Intra Fund Transfers, attributed to a reduction in H&SS administrative charges and a reduction to costs incurred for the Public Health AIDS Case management program.
- A net decrease of (\$1,803,304) in Intergovernmental and Other Revenues includes the following:
 - A decrease of (\$229,873) in anticipated state revenues for the IHSS Program Administration.
 - A decrease of (\$34,050) in the County Services Block Grant and Adult Protective Services State General Fund allocations.
 - A net decrease of (\$422,746) in VLF and Sales Tax Realignment revenues.
 - A decrease of (\$293,233) in Other State revenues resulting from an adjustment to the allocation for the CMIPS II Project.
 - A decrease of (\$823,402) in Federal revenue for the Administration of Health Related Services due to the reduction of staff in ODAS which is expected to decrease time study hours to health related services by 23%. The loss of realignment and County General Fund reduce the match that would draw down additional Federal Revenues.

The impact of this change is to decrease earned Federal Health Related Revenue for the administration of both the Adult Protective Services and In Home Supportive Services programs.
- A decrease of (\$86,686) in County General Fund resulting from staff reductions.

Welfare Administration – 7545

The Division projects a decrease of (\$381,395) in expenditures and no change in revenue when compared to the Working Budget. Revenues for this Division are budgeted in Division 7650, Employment and Eligibility. This Division's expenditure decreases, especially for salaries and benefits, will be offset by lower earned revenues in Division 7650's CalWORKS and Food Stamps programs.

The Division's projected changes from the Working Budget include:

- A decrease of (\$394,928) in Salaries and Benefits primarily due to attrition, retirements and deletion of vacant and filled positions as follows: (2.0) FTE Appeals Specialists, (1.0) FTE Office Assistant II, (2.0) Welfare Fraud Investigator. These reductions were offset by an increase in extra-help costs, and leave payoffs due to 6.0 FTE vacant and filled position reductions as a result of unanticipated retirements and resignations.
- An increase of \$64,155 Services and Supplies, substantially attributed to the increase in DoIT staff costs and cumulative increases in Communications, Office Expense, Moving/Freight/Towing, and Personal Mileage, offset by decreases in CDP and data processing costs.

- An increase of \$7,723 in Other Charges due to cumulative increases in Interfund Services for county-provided services previously posted under Services and Supplies.
- A decrease of (\$42,125) in Other Financing Uses due primarily to reduction POBs for vacant and deleted positions.
- A decrease of (\$16,220) in Intra Fund Transfers due to a decrease in H&SS Administration Division overhead charges.
- Zero change in revenue. This division's revenue is budgeted in Employment and Eligibility Division 7650. Personnel reductions in this Division reduce CalWORKS and Food Stamps earned revenue.

Assistance Programs – 7900

The Division projects decreases of (\$207,403) in expenditures and (\$1,261,246) in revenues when compared to the Working Budget, for a net increase of \$1,053,843.

The Division's projected changes from the Working Budget include:

- An increase of \$104,493 in Aid to Adoptions.
- An increase of \$630,033 in costs for IHSS Provider Wages, due to wage rate increase.
The working budget reflects wages at \$9.50 per hour; however, the County is paying \$11.50 per hour due to a court injunction that prevented the State from implementing changes to wages in this program. Costs in this program increased.
- An increase of \$5,226 in Aid to Refugees.
- An increase of \$196,341 in AFDC Foster Care programs.
- A decrease of (\$367,592) for services to Seriously Emotionally Disturbed (SED) children.
- A decrease of (\$748,800) in CalWORKS Assistance.
- A decrease of (\$27,104) in General Assistance (GA) payments, due to an increase in GA abatements collected from the Social Security Administration. General Assistance payments to clients are projected to increase by \$161,500.
- A decrease of (\$ 1,121,509) in Sales Tax Realignment revenue.
- A net decrease of (\$139,737) in State and Federal Revenues, comprised of a \$2,306,427 increase in State Revenue offset by a (\$2,446,164) net decrease in Federal Revenue.
- An increase of \$1,162,419 in County General Fund contribution, resulting from the increased cost of IHSS provider wages and the unanticipated decrease in Sales Tax Realignment.

RECREATION

Parks – 7000

The Midyear projection reflects an increase of \$70,369 in expenditures and a (\$43,799) decrease in revenue when compared to Working Budget resulting in a projected end of year shortfall of \$114,168.

Significant changes in expenditure projections are as follows:

- \$77,919 increase in Services and Supplies primarily the result of:
 - \$3,422 increase in radio and telephone communication services.
 - \$37,340 increase in Household Expenses to continue the operation and servicing of restrooms at the parks including janitorial supplies.
 - \$7,140 increase in Liability Insurance.
 - \$2,531 increase in fuel costs.
 - \$4,105 increase in Office Expenses.
 - \$15,283 increase in County Garage Services for the repair of two vehicles damaged in accidents.
- Significant changes in revenue projections are as follows:
 - (\$5,231) decrease in reduced tax revenue.
 - (\$26,188) decrease in revenue received for interest income, building rental and boat rental concessions.
 - (\$10,613) decrease in charges for provided services.

Solano County operates four county parks: Lake Solano, Sandy Beach, Belden's Landing and Lynch Canyon Open Space. Subsequent to the Board approved FY2009/10 Proposed Budget, a prior year negative fund balance of \$107,399 (primarily the result of unrealized tax revenues) was carried over into this fiscal year's budget creating a structural deficit in the FY2009/10 Park's budget.

Parks is currently operating at a minimum level and has projected a year-end shortfall of \$114,168 and has proactively worked to reduce costs through various program cuts, including:

- Parks staffing levels have been reduced from 9.0 FTEs to 6.0 FTEs.
- Ranger evening patrols of campgrounds and parks has been eliminated.
- Lake Solano and Sandy Beach closing time was changed from 10 p.m. to 4 p.m.
- Lake Solano campsites and restrooms located in the rear of the park have been closed since November 2009 to reduce maintenance costs during the off-peak season.
- A Chevy Tahoe patrol vehicle was turned in to save fleet costs.

- Building and grounds repair work at all parks have been virtually eliminated unless grant funds or volunteer labor are available.
- Lynch Canyon's operating hours were reduced from up to 12 hours per day / 5 days per week to 8 hours per day / 3 days per week.
- The Cordelia field office was closed down (originally opened as a labor-time saving initiative to cut down on driving time to parks in the mid-county area).

To date, these program cuts have been accomplished without significantly reducing public services, so that park fee revenues for FY2009/10 are coming in at a rate on par with past years. However, other revenues, such as tax revenue and concessions, are down. It will not be possible to make further program cuts without incurring public health and safety liabilities for the County or substantially reducing public services to a point where park attendance and revenues would drop significantly.

The current state of the Parks' budget will require the Board's consideration and a long-term direction plan. Staff is recommending the Board consider the viability of this program during their February 23, 2010 Special Session meeting.

Below are possible options:

- 1) In general, the reasonable cost of County services provided to the public can be recovered up to the actual costs of the services. Parks Fee Schedules are currently being thoroughly reviewed and analyzed, and an update is scheduled to go to the Board on March 26, 2010, with any proposed new or adjusted fees taking effect on July 1, 2010. However, increasing the fee structure would not have an effect on the current fiscal year budget.
- 2) Reduce parks services by (\$118,000) through the closure of two parks. The order of priority for potential closings would attempt to minimize the impact on the public. Prioritizing by least-to-greatest attendance and revenues to date in the current fiscal year would be as follows:
 - a. Lynch Canyon Open Space – 1,085 attendees / \$2,290 revenue
 - b. Belden's Landing Water Access Facility – 8,620 attendees / \$27,715 revenue
 - c. Lake Solano Park – 28,105 attendees / \$87,854 revenue
 - d. Sandy Beach Park – 44,250 attendees / \$101,088 revenue

However, other factors need to also be considered when determining the closures. Belden's Landing has low annual operational costs that are generally exceeded by annual revenues. Lynch Canyon Open Space would not likely produce substantial budget savings because of the Lynch Canyon Management Agreement with the Solano Land Trust requires 120-day notice prior to termination, meaning that the soonest this closing could occur would be June 2010.

Another consideration would be the status of the grant funds used for projects at Lake Solano Park and Sandy Beach Park, which include the Nature Center, restrooms, picnic tables, grills and sewer pumps. The closure for these parks would require a Board approved resolution and a temporary closure plan for approval by the grantor, the California Department of Parks and Recreation as per the "Parks Reduced Levels Policy." If the temporary closure plan is not approved, it may trigger State Parks, as well as other grantors

such as the Bureau of Reclamation, to request the return of up to \$1.867 million in grant funds used to build the Nature Center, or other grant funds used in park facilities.

Also, General Services, with assistance from Human Resources, would need to return to the Board with a recommended list of staff reductions/layoffs to accompany the park closures.

- 3) The last option would use General Fund Contingency to support County Park operations through the end of this fiscal year to balance unanticipated expenses and unrealized revenues.

INTERNAL SERVICE AND ENTERPRISE FUNDS

Reprographics – 1901

The Midyear projection reflects decreases of (\$139,774) in expenditures and (\$247,185) in revenue resulting in a projected end of year shortfall of \$107,411 when compared to Working Budget.

Reprographics operates as an internal service fund providing print and duplication services. With the exception of one year, the demand for Reprographic services has consistently dropped over the past five years resulting in decreased revenues. This decline is due to several significant factors:

- 1) Availability of convenience copiers in departments that now have multi-function/high speed capabilities, which is in direct competition with Reprographics. Vendors are offering very competitive lease rates to departments.
- 2) Demand for specialized equipment and services, such as graphic design and high-quality glossy brochures and publications.
- 3) Departments are not printing as much, choosing to save paper and creating less waste (Green Environment).
- 4) Departmental budget cuts are resulting in less demand for various printed materials.

With the continued downward trend in the demand for reprographic services and the projected revenue shortfalls; there will be insufficient revenue to account for the rising expenses. Also, in four of the last six fiscal years, it was necessary to utilize Reprographics' Reserve fund. It is expected that the department will need to pull from reserves again to finance the operating budget through the end of this fiscal year. This action will nearly deplete the Reserve fund and unless the department's recent marketing efforts are successful, the trend analysis indicates that Reprographics will experience a structural deficit in FY2010/11.

At this time, all indications reflect that the demand for in-house reprographics services is decreasing and is not expected to rebound in the near future. Therefore, the current state of Reprographics will require the Board's consideration and a long-term direction plan. Staff is recommending the Board consider the viability of this program during their February 23, 2010 Board meeting.

The County's Internal Audit Division conducted an efficiency analysis of Reprographics that was presented to General Services in June of 2008. One part of the analysis indicated that Reprographics is challenged by aging equipment. Approximately 38% of the equipment is over 20 years old, and some pieces are more than 30 years old. To replace this equipment would require a major capital investment (approximately \$385,000 to \$400,000), which would be

difficult to recover through competitive rates. Reprographics is also challenged by advancing technology, limited graphic design services, and a shortage of staffing to serve the entire needs of the County. The Reprographics Shop currently employs 3.5 FTE's: one Duplicating Supervisor, two Duplicating Equipment Operators and one Duplicating Services Assistant.

Statewide 58 counties (including Solano County) were surveyed to determine use of a reprographics and/or centralized copy function. Thirty-three counties continue to employ a reprographics/copy function; however, of those 33, twelve are General Fund supported. The 20 remaining are internal service funds, of which ten are operating with a budget deficit. The 22 counties that outsource their central copying needs do so primarily because the county is not large enough to sustain a centralized operation or the centralized operations were at one time employed; however, they were found not to be financially sustainable.

Marketing strategies have recently been implemented. An Open House held on January 27, 2010 yielded at least two potential new sources for revenue. Staff is still working out the details for these new contracts. In all likelihood this probably will not increase the revenue stream enough to sustain the department in future years.

If new revenue sources are not enough to supplement existing revenues, then there will be no choice, but to develop an exit strategy for the dissolution of the Reprographics function. This would include 1) identification of potential retirees, transfers or placements of the 3.5 FTEs currently employed in the Reprographics shop; 2) disposition of equipment in the Reprographics shop. The equipment could be reallocated elsewhere in the County or sold as surplus property. Currently, the County leases three high-speed production copier machines, which would require lease buy-out or reallocation and one Risograph duplication unit on a month-to-month rental agreement. The remainder of the equipment employed in the shop is owned by the County.

ADMINISTRATIVE BUDGET ISSUES

Additional Mitigation Measures to Control the Budget

The Midyear Report continues to reinforce the County's Resource Reduction Strategy Policy and the need to explore the possibility of implementing additional reduction measures in preparation for the County's next year's budget and beyond.

Voluntary Furloughs

The Board has acted previously to declare the period of January 1, 2010 through June 30, 2010 as a time of economic hardship pursuant to the County Voluntary Time Off (VTO) Policy. Due to County's continued fiscal hardships, it is recommended that the Board take action to declare the period July 1, 2010 through June 30, 2011 as a continuing time of economic hardship and to encourage employees and departments to take full advantage of the VTO policy provisions.

Accrued Leave Payoff

On June 26, 2006, your Board approved the criteria and procedure for managing the Accrued Leave Payout Reserves and authorized the County Administrator to transfer appropriations from General Expenditures to the affected departments.

In light of employee layoffs, regular retirement and the implementation of the Early Retirement Incentive program, the Midyear projection for countywide accrued leave payoff is estimated at \$4.9 million, of which General Fund share is \$1,966,717. Departments budgeted \$1.3 million; therefore, another \$3.6 million is needed. The Board approved \$500,000 as General Fund share in the FY2009/10 Final Budget for this purpose. An additional \$1,466,717 is required to be

transferred from the Accrued Leave designation to cover the costs. This action will require 4/5 votes from the Board.