APPROVED

MAY 0 4 2010

BY Myra Chinula deputy
CLERK OF THE BOARD

AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS

ITEM TITLE		BOARD MEETING DATE	AGENDA NUMBER
Accept the FY2009/10 Third Quarter Financial Report and take action as outlined in the recommendations contained in the report		May 4, 2010	13
Dept: Contact: Extension:	County Administrator's Office Quang Ho 6100	Supervisorial District Number All	
	Published Notice Required?	Yes______	No___X___
	Public Hearing Required?	Yes______	No___X___

DEPARTMENTAL RECOMMENDATION:

It is recommended that the Board of Supervisors:

1. Accept the Third Quarter Financial Report as outlined in **Attachment A**, Narratives; **Attachment B**, Third Quarter Projection Spreadsheet; and **Attachment C**, Super Funds Projection Spreadsheet.

2. Set the FY2010/11 Budget Hearings for 9:00 a.m., Monday, June 28, 2010, and continue said Hearings until concluded, but not to exceed 14 calendar days.

3. If justified and with CAO's approval, authorize the Auditor-Controller to transfer appropriations within a fund to cover year-end close-out, provided that the total appropriation within that fund is not increased.

SUMMARY:

The County Budget financial condition appears to be stable for now as a result of the reductions made to date to address revenue losses and the overall structural deficit. However, until a complete fiscal impact of the May Revision is known, staff is preparing the FY2010/11 Proposed Budget with caution. We anticipate further reductions if State funding is cut.

If the Board approves the CAO's recommendations in the Third Quarter Report, the Year-End Fund Balance projected for the General Fund will be $40,003,896, which is slightly higher than Midyear projections due to some improvements in projected revenues and further reduction in expenses. This Fund Balance will be applied as a mean of financing to the FY2010/11 Proposed Budget.

FINANCING:

At Third Quarter, General Fund reflects a reduction of ($10.81 million) in expenditures and ($8,816) in revenues. The Fund Balance for General Fund is projected to be $40,003,896, which includes a Contingency balance of $29.2 million. However, there are several outstanding issues listed in the body of this Report that may affect the projected Fund Balance for FY2009/10.

Further, there are outstanding costs of approximately $822,885 that consist of writing off $337,500 for the 311 Call Center startup costs and the refund of the Micrographic Special Revenue Fund of $485,385 plus interest due to changes to the SCIP Migration Project, that will affect Fund Balance when the County Auditor closes the books for FY2009/10.

When General Fund Third Quarter is compared to the Midyear projection, the General Fund departments were able to reduce additional expenditures. The revenue projection has also improved, with a net increase of $1.67 million. Midyear Fund Balance projection of $38.696 million versus Third Quarter projection of $40.003 million will result in an increase of $1.3 million in General Fund Balance.

At the time of this report, the County property tax projections continue to spiral downward. The County Assessor's Office is in the process of completing the tax rolls for FY2010/11. Preliminary figures indicate that the General Fund will experience an additional loss of ($9.683 million) since projections were submitted at Midyear. All indications suggest that the housing values in the local market will not turn around for a long time; therefore, the County's discretionary revenues from property taxes may not return to FY2006/07 levels in the foreseeable future.

The current recession reflects three separate yet interrelated events: the housing meltdown, a credit crisis, and the contraction of consumer and industrial spending. While all three affect County revenues, the housing meltdown has the most profound and prolonged effect. For the County to recover from the property tax losses already realized, given there are additional requests for reappraisals in process, the housing market has to overcome the temporary losses due to Proposition 8 reductions and the hard reductions in property values caused by foreclosures, short sales and the current market conditions.

DISCUSSION:

During the first nine months of this fiscal year, departments have vigilantly controlled their expenditures and sought additional revenues. In fact, almost all departments materialized additional saving since Midyear, notably the Public Safety departments where Proposition 172 sales tax revenues have not shown signs of improvement.

However, it is imperative that the County remain vigilant in addressing the structural deficit from increasing expenses and shrinking revenues. The County must focus on long-term solutions as the reductions in property tax revenues are not a temporary blip. Since 2007, Proposition 8 reassessments have outpaced any gains in the secured assessment roll, reducing it by $4.7 billion, or 10.3%. It is anticipated that 2010 will account for another $2.9 billion reduction in the secured assessment roll, for a cumulative reduction of 16.6%. In subsequent fiscal years, the property tax revenues are expected to decline even further in some areas as a result of this prolonged economic downturn.

In this light, departments are continuing to evaluate service delivery, programs and staffing for their FY2010/11 budget requests. There will be hard choices necessary on eliminating or downsizing discretionary programs and reducing levels of service for mandated programs.

Following the Third Quarter Financial Report (**Attachment A**) are spreadsheets (**Attachments B and C**) summarizing the estimated departmental expenditures and revenues through June 30, 2010. Staff also described the assumptions behind the projections, as well as the information concerning the economic conditions and the possible State Budget impact on the County.

ALTERNATIVES:

The Board may choose not to accept this report; however, this is not recommended, as this is an opportunity to receive information on the current state of the County budget.

OTHER AGENCY INVOLVEMENT:

Developing the information included in this Report involved all County departments.

DEPARTMENT HEAD SIGNATURE:

By ____________________
Michael D. Johnson
County Administrator

Attachments:

Attachment A – Third Quarter Financial Report, pages 4 - 27
Attachment B – Third Quarter Spreadsheet General Fund and Other Funds, pages 28 - 30
Attachment C – Third Quarter Spreadsheet Super Funds, page 31

COUNTY OF SOLANO
COUNTY ADMINISTRATOR'S OFFICE
THIRD QUARTER FINANCIAL REPORT
FY2009/10

ASSUMPTIONS INCLUDED IN THE PROJECTIONS

This Report projects the County's year-end financial position, based on nine months of actual data and three months of projected expenses and revenues. Staff made the following assumptions:

- The economy remains unsettled with continued loss of secured and supplemental property taxes, Proposition 172 sales tax, realignment, recording fees and building permits fees. No additional economic or catastrophic financial or natural disaster losses (i.e. pandemic flu, flood, earthquake, etc.) downturns between now and the end of the fiscal year are included. To the extent that any drastic changes occur in the economy, the County's projected Fund Balance may also be affected.
- Interest earnings are projected lower than assumed at Midyear.
- Caseload and costs in the Health and Social Services and Criminal Justice areas will not increase drastically from what is currently projected, prior to year-end.

STATE BUDGET OUTLOOK

Overview

The first three months of 2010 have been challenging for counties throughout California as the Governor and Legislature attempted to address a major budget deficit while at the same time drafting and introducing over one thousand new bills in the second year of the current legislative session.

Budget

The Governor called a Proposition 58 Special Session in early January, which required the Legislature to take action on a series of budget proposals to address a projected $19 billion shortfall by the middle of February, or cease all legislative activity until such time as a budget package is sent to the Governor. The Legislature acted just in time to meet the deadline; however, the package sent to the Governor did not address much of the projected budget gap that the State faces through the end of FY2010/11. In fact, the package even failed to meet the target of $4 billion in solutions set out by legislative leadership.

Much of the failure to achieve the $4 billion solution early in the year resulted from the Governor vetoing AB 8X 2, which would have produced savings for the State of approximately $2.3 billion through the end of the FY2010/11 budget year. After the Governor's veto of the bill, the Legislature did not attempt to send the Governor a new bill with repackaged solutions.

A new gas tax swap and additional deferrals to counties represent the most significant components of the budget package approved by the Governor in the special session. These actions did alleviate the State's current cash problems.

Gas Tax Swap and New Deferrals

The Legislature approved and the Governor signed a gas tax swap. This package eliminates the sales tax on gas and replaces it with a 17.3-cent excise tax increase on gasoline, indexed to keep pace with what the sales tax on gasoline would have generated in a given fiscal year. For FY2010/11, the 17.3-cent excise tax increase will generate $2.52 billion and be distributed as follows:

- $603 million general fund transportation bond debt service.
- $629 million State Transportation Improvement Program (STIP).
- $629 million Local Streets and Roads (LSR).
- $650 million in additional Article XIX transportation revenues for future appropriations by the Legislature.

For FY2011/12, there would be $780 million in Local Street and Roads funding, of which $390 million is for counties. These funds are meant as replacement revenue for the loss of Proposition 42. This alternative swap proposal does hold harmless local streets and road funding that was secured when Proposition 42 was passed. However, while Proposition 42 remains on the books, the revenue stream it governed no longer exists, which means that counties will have less revenue protection.

The swap generates a total of $1.1 billion in savings for the current budget year.

In addition to the above-described swap, the most significant piece of fiscal policy passed and signed in the Proposition 58 Special Session was included in AB8X 5 which authorized deferrals to counties in order to alleviate the State's cash crunch. This bill includes the following deferrals:

- HUTA deferrals - $50 million per month from July 2010 to March 2011.
- Authorizes deferrals to counties for social services programs, transportation and Proposition 63. No more than $1 billion can be deferred at a time.
- Counties with a population less than 50,000 are exempted.

Potential Additional Impacts to Counties in FY2010/11

California State Association of Counties (CSAC) has analyzed the Governor's proposed FY2010/11 State Budget and identified the major potential impacts to the counties (prior to the release of the May Revision) as follows:

- **Proposal:** Felons to jail, not prison.
  - **Summary:** By changing sentencing statutes, offenders convicted of specified non-serious, nonviolent, non-sex felonies including drug possession could be incarcerated for up to one year in local jails rather than State prison. More than 30 counties already are

operating jails within a population cap. The proposal to shift the State's prison overcrowding problem to crowded local jails will be difficult - if not impossible - to manage.

- **Fiscal impact:** Proposal assumes a State savings $291.6 million annually. Impacts to counties are unknown at this time.

➢ **Proposal:** Reducing State placement option for juvenile offenders.

- **Summary:** By reducing the age jurisdiction of the Division of Juvenile Justice (DJJ) from 25 to 21, the State would achieve $41.3 million in DJJ savings in addition to $6.7 million in Proposition 98 savings attributable to the population reduction that would result. The State also proposes to reduce the use of time-adds to juvenile offender sentences. Certain juveniles who "age out" would be transferred from DJJ detention facilities to State prison; some - who are not eligible to serve time in adult institutions - would return to their communities. The proposal could result in more proceedings in adult criminal court for juveniles.

  - **Fiscal Impact:** More than $40 million savings to the State; local impact unknown.

➢ **Proposal:** CalWORKs reductions.

- **Summary:** The Governor proposes to reduce CalWORKs grants by 16%, reduce child care provider reimbursements, and eliminate benefits to legal immigrants who have been in the United States less than five years (approximately 24,000 people). The proposals threaten the success of the program in moving families to self-sufficiency, push families into deeper poverty and shift costs to counties. Disinvestments in CalWORKs will have broad economic impacts across both the private and public sectors.

  - **Fiscal Impact:** Proposal assumes $141.6 million in savings if the cut is effectuated in June 2010.

➢ **Proposal:** Eliminate immigrant assistance.

- **Summary:** The Governor proposes to eliminate the Cash Assistance Program for Immigrants (CAPI), which impacts approximately 12,000 seniors and persons with disabilities. In addition, the Governor proposes to eliminate the California Food Assistance Program (CFAP), impacting approximately 22,000 individuals. Another estimated 24,000 persons would lose CalWORKs assistance under the Governor's budget. Many of these individuals would become eligible for county general assistance programs.

  - **Fiscal Impact:** The budget proposes to eliminate the CAPI program effective June 1, 2010 for General Fund savings of $8.1 million in the current year and $107.3 million General Fund savings in FY2010/11. The budget proposes to eliminate the CFAP effective June 1, 2010 for General Fund savings of $3.8 million in FY2009/10 and $56.2 million General Fund savings in FY2010/11. Potential impact on counties is in the tens of millions.

- **Proposal:** New county share of cost for children's programs.

  - **Summary:** The Administration proposes redirecting the county "savings" created by reductions to the CalWORKs and IHSS programs. These program reductions will create $505.5 million in county savings; in turn, the State would decrease State General Fund expenditures for children's programs and impose an increased county share of cost for Foster Care, Adoptions Assistance, and Child Welfare Services (CWS). The Administration's language provides no stop-gap if sufficient funding via savings fails to materialize for these underfunded programs.

    - **Fiscal Impact:** Counties would assume $505.5 million in new shares of costs. Under the proposals the new shares of cost would be:

	Current	Proposed
Foster Care	State 40%, County 60%	State 25%, County 75%
Adoptions	State 75%, County 25%	State 41%, County 59%
Child Welfare Services	State 70%, County 30%	State 30%, County 70%

- **Proposal:** Eliminate Substance Abuse Offender Treatment Program.

  - **Summary:** The Governor proposes to zero out funding ($18 million) for the Substance Abuse Offender Treatment Program. Governor's proposed budget, however, does not provide support for Proposition 36. The statutory requirements for treatment remains in effect, meaning that counties will be required to provide services at their own cost.

    - **Fiscal Impact:** $18 million direct impact to counties.

- **Proposal:** Redirect Proposition 63 (Mental Health Services Act) funds.

  - **Summary:** The Governor also proposes to place another ballot measure before voters in June 2010 to redirect $452.3 million in Mental Health Services Act funds to mental health programs currently supported with General Fund resources. This will eliminate current programming at the local level for community mental health.

    - **Fiscal Impact:** Shift of $452.3 million to existing state General Fund programs from local community programs.

- **Proposal:** In-Home Supportive Services (IHSS) wage participation cut.

  - **Summary:** The Governor proposes to reduce wages for IHSS providers to the minimum wage for a savings of $115 million. There is no proposed change to the statutory collective bargaining mandate. Counties would be responsible for the full cost of wages above minimum wage if they continue to pay wages at current levels.

    - **Fiscal Impact:** Savings of $26.5 million General Fund in the current year and $338.2 million General Fund in FY2010/11. Unknown impact on counties.

➢ **Proposal:** Medi-Cal proposals.

- **Summary:** The Governor's proposed budget outlines a $750 million General Fund reduction for the implementation of cost containment strategies. Though there is little detail on the proposal, the Administration describes increased cost sharing through co-payment requirements and/or premiums. Co-payment proposals will shift costs to county hospitals and clinics. In addition, the proposal to eliminate full-scope Medi-Cal for certain immigrants ($118 million General Fund savings) will also shift costs to county providers.

    - **Fiscal Impact:** Hundreds of millions of savings to the State General Fund. Potential impact on counties in the tens of millions of dollars.

State Cash Flow

Through the end of March, the State Controller reported that State revenues were up approximately $2 billion over the estimates contained in the FY2009/10 State Budget.

However, this good news has been tempered somewhat as the State's income tax receipts for the month of April totaled just over half of the amount projected by the Schwarzenegger administration.

One-Time Federal Assistance

Senate President *pro Tem* Darrell Steinberg has been quoted in the press as stating he believes that California could receive approximately $4 billion in new, one-time Federal funding that could go towards reconciliation of the FY2010/11 State Budget.

Additional Federal Monies

Legislative leadership and the Administration are rumored to be preparing proposals for release this summer that could potentially draw down an additional $1 to $3 billion in Federal matching monies in the areas of health, mental health and social services.

Williamson Act

Local governments, conservation groups and land owners have come together to voice support for program, emphasizing the State and local partnership that keeps the program alive. There are signals from the Administration that as much as $28 million could be appropriated for the Act in the FY2010/11 State Budget, but only if the counties agree to transition the program in future budget years to one that is more "self-financing." It is not expected that there will be any appropriation proposed for the Act in the May Revise; rather, any such proposal will most likely occur in the final throes of negotiations over the State Budget.

FINANCIAL POSITION OF COUNTY DEPARTMENTS

Attached to the Third Quarter Financial Report are spreadsheets (**Attachments B and C**) which summarize projections and contrast the Working and Third Quarter Projected Budget.

Below is a summary table of FY2009/10 total projections by Fund type. For additional detail, please refer to **Attachments B and C**.

Fund	Expenditures	Revenues	Fund Balance	3rd Quarter Projected Fund Balance	Midyear Projected Fund Balance	Changes in Fund Balance
General Fund - 01						
Third Quarter Projections	206,676,572	196,800,348	9,876,224			
Working Budget*	217,487,166	196,809,164	20,678,002	* Include GF Contingency balance of $29,202,118		
Net Change Third Qtr vs. WB	**(10,810,594)**	**(8,816)**	**(10,801,778)**	***(40,003,896)**	**(38,696,920)**	**(1,306,976)**
Public Safety - Fund 900						
Third Quarter Projections	142,930,570	143,075,675	(145,105)			
Working Budget	154,602,051	154,747,156	(145,105)			
Net Change Third Qtr vs. WB	**(11,671,481)**	**(11,674,481)**	**0**	**0**	**4,081,138**	**(4,081,138)**
Court Related - Fund 901						
Third Quarter Projections	283,585	379,414	(95,829)			
Working Budget	292,085	399,914	(107,829)			
Net Change Third Qtr vs. WB	**(8,500)**	**(20,500)**	**12,000**	**12,000**	**20,500**	**(8,500)**
H&SS - Fund 902						
Third Quarter Projections	254,985,283	258,772,453	(3,787,170)			
Working Budget	269,792,898	272,963,619	(3,170,721)			
Net Change Third Qtr vs. WB	**(14,807,615)**	**(14,191,166)**	**(616,449)**	**(616,449)**	**(122,670)**	**(493,773)**
Other Funds						
Third Quarter Projections	238,239,611	151,563,918	86,675,693			
Working Budget	242,696,171	132,125,510	110,570,661			
Net Change Third Qtr vs. WB	**(4,456,560)**	**(19,438,408)**	**(23,894,968)**	**(23,894,968)**	**(39,167,973)**	**15,273,005**
All Funds						
Third Quarter Projections	**843,115,621**	**750,591,808**	**92,523,813**			
Working Budget	**884,870,371**	**757,045,363**	**127,825,008**			
Net Change Third Qtr vs. WB	**(41,754,750)**	**(6,453,555)**	**(35,301,195)**	**(35,301,195)**	**(44,569,639)**	**9,268,444**
Internal Services and Enterprise Funds						
Third Quarter Projections	42,069,522	38,911,050	3,158,472			
Working Budget	55,315,566	50,283,182	5,032,384			
Net Change Third Qtr vs. WB	**(13,246,044)**	**(11,372,132)**	**(1,873,912)**	**(1,873,912)**	**(897,986)**	**(975,926)**

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

GENERAL GOVERNMENT

General Revenues – 1101

- Property Tax

  Total property tax revenues are estimated to have a nominal increase of $187,646 over the Working Budget. This is in spite of a projected loss of ($1.3 million) in Secured/Unitary taxes due to a greater than forecasted decline of ($4.542 billion) in the FY2009/10 assessment roll resulting from the downward reassessments of 57,700 residential properties under Proposition 8. Compounding this loss is a decrease of ($350,000) in Supplemental Taxes because of the high number of refunds being issued as a result of the lower assessed values from changes in ownership. An increase of $1.1 million in Unsecured Taxes and $600,000 in Property taxes in lieu of Vehicle License Fees (VLF) not only fully mitigate the losses, but provides a net increase in revenues.

- Sales and Use Tax/Sales and Use Tax in Lieu

  These two revenues are projected to have a surplus of $1.8 million over the Working Budget, mainly from the Sales and Use Tax in Lieu estimated $1.7 million higher. This revenue is part of the State's "Triple Flip" provisions under which the State withholds 1% of the County's sales tax receipts and back fills it from the Education Revenue Augmentation Fund (ERAF). The amount of backfill is determined by the State based on the actual sales and used tax received from the prior year, plus an estimated growth for this year. Due to this allocation formula, this amount is artificially higher this year because last year's sales and use tax receipts were inflated by two significant one time transactions resulting from capital investments from a Montezuma Hills wind farm. These sales are not likely to occur again this year.

- Interest Income

  Interest income is projected to be lower by ($100,000) when compared to the Working Budget. Although the General Fund cash balance has remained constant, the actual average yield of 1% on the Treasury Pool is much lower than estimated at the beginning of the year.

General Expenditures – 1903

There are two significant changes in the General Expenditure budget at Third Quarter:

- Expenditure reductions of ($4.8 million) are mainly due to Public Safety and Health and Social Services departments continuing to tighten their costs of operation, therefore requiring less General Fund contributions. Additional details are listed under Public Safety and Health and Social Services funds.

- Trial Courts Maintenance of Efforts (MOE) and its revenues: Under the provisions of AB 233 that shifted funding of the trial courts from the County to the State, revenues generated from vehicle fines, traffic school fees, and penalty assessments are used by the County to pay for the MOE to the State.

  At Midyear staff reported to the Board that the Courts charges for services revenues were down by ($1.46 million) primarily related to the Traffic School Fees assessed to eligible traffic violators that are remitted to the County. The Courts, County Auditor-Controller's Office and CAO staff have been working together to correct the allocation of these fees to the County. Third Quarter projects an increase in these fees by $1.44 million. This amount will reduce General Fund costs to meet the County's MOE to the State.

<u>General Services – 1117</u>

	Working Budget	Third Quarter	Change
Expenditures	17,309,237	16,130,667	(1,178,570)
Revenue	17,413,017	16,542,081	(870,936)
Net County Cost	**(103,780)**	**(411,414)**	**(307,634)**

General Services projects a ($307,634) decrease in Net County Cost from Working Budget.

General Services projects decreases in expenditures as the result of a retirement and the elimination of positions as part of the budget reduction strategy. This is partially offset by an increase in overtime/callback in custodial services and extra help. In addition, the department has savings in lease payments due to the move of Mail Services to County-owned space, a decline in purchases for resale, a decrease in supplies needed to complete maintenance/small project billable work orders, and savings in PG&E utility and projected gas rates.

Revenues have decreased primarily due to the discontinuance of security services at the County Administrative Center in December, a reduction in administrative overhead, decrease in architectural service charges and in maintenance and small project service revenue due to a reduction in billable work orders and staffing levels, and the unsuccessful execution of a contract with Kaiser Hospital for mail processing service.

The impact to user departments will be a decrease in custodial, mail, purchasing and maintenance services. Staff workloads have increased. The turnaround time on requisitions has increased, security services for the County Government Center complex discontinued; facility maintenance projects reduced; energy and water conservation and renewable energy projects put on hold until funding can be identified; and reduced dusting and vacuuming by custodial staff potentially shortening service life of window coverings and carpet.

<u>Assessor – 1150</u>

	Working Budget	Third Quarter	Change
Expenditures	7,142,027	5,983,337	(1,158,690)
Revenue	549,150	305,965	(243,185)
Net County Cost	**6,592,877**	**5,677,372**	**(915,505)**

The Assessor projects a ($915,505) decrease in Net County Cost from Working Budget.

The decrease is primarily the result of reduced staffing, a decrease in SCIPS data processing charges, costs associated with the elimination of the 311 Call Center for the remainder of the fiscal year and a reduction in professional services for temporary office help. Revenue decreases are primarily the result of SB 813 Collection Fees being down due to the economy.

The impact of the continuing decline of real estate property values and increased assessment appeals has impacted the office workload; however, the office continues to meet required service time frames.

Tax Collector/County Clerk – 1300

	Working Budget	Third Quarter	Change
Expenditures	2,636,910	2,316,289	(320,621)
Revenue	501,500	409,526	(91,974)
Net County Cost	**2,135,410**	**1,906,763**	**(228,647)**

The Tax Collector/County Clerk projects a Net County Cost decrease of ($228,647) from Working Budget. The decrease in expenditures is primarily due to reductions of ($36,979) in Salaries and Benefits and ($249,367) in SCIPS data processing services. Revenues reflect decreases in marriages licenses and tax penalties.

Impact to the public is longer hold periods before calls are answered due to reduced staffing and longer wait times for processing marriage licenses and tax payments.

Registrar of Voters – 1550

	Working Budget	Third Quarter	Change
Expenditures	5,072,894	4,045,256	(1,027,638)
Revenue	559,100	903,339	344,239
Net County Cost	**4,513,794**	**3,141,917**	**(1,371,877)**

Registrar of Voters (ROV) projects a ($1,371,877) decrease in Net County Cost from Working Budget.

Expenditure decreases were primarily due to lower costs associated with the September 2009 election, and costs associated with the elimination of the 311 Call Center. Also, the Congressional District 10 election to fill a vacancy was budgeted; however, it was consolidated with the November 2009 election. Increases in projected revenues such as State reimbursement, election services, the Vallejo Measure on the June 2010 ballot and candidate statements, result in further savings for this fiscal year.

Accumulated Capital Outlay Fund – 1700

	Working Budget	Third Quarter	Change
Expenditures	26,530,379	40,204,312	13,673,933
Revenue	7,550,670	24,766,424	17,215,754
Fund Balance	**18,979,709**	**15,437,888**	**(3,541,821)**

The Accumulated Capital Outlay (ACO) budget projects a Fund Balance of ($3,541,821) at year end.

Significant changes to the Fund are:

- The operating transfer in of $18,160,003 from the Public Facilities Fees budget to finance the local jail construction costs under the AB 900 jail financing program.
- Expenditure reductions due to project savings from the Justice Center Exterior, Park's projects, demolition of the Court Annex, Dixon Veterans Building Improvements, and Vacaville Veterans Building Roof Replacement.
- Other expenditure and revenue reductions in this fiscal year include the Court ADA projects that will be re-budgeted in FY2010/11 and the Benicia and Suisun veterans building as grant revenue was not received.

Public Facilities Fees – 1760

	Working Budget	Third Quarter	Change
Expenditures	27,616,852	20,454,915	(7,161,937)
Revenue	6,022,035	5,991,732	(30,303)
Fund Balance	**21,594,817**	**14,463,183**	**(7,131,634)**

The Public Facilities Fees budget projects a ($7,131,634) Fund Balance including Contingencies at year-end.

Per Board direction, $18,160,003 was transferred to the Claybank Adult Detention Facility, budget unit 1723, the County's match to finance the jail construction under the AB 900 local jail financing program.

PUBLIC PROTECTION

Public Safety Fund – Fund 900

	Total Expenses	Program Revenues	General Fund Contribution	Total Revenues	FY2009/10 Encumb	Net Change
Third Qtr Projections	142,930,570	50,047,675	93,028,000	143,075,675	370,573	(515,678)
Working Budget	154,602,051	57,644,184	97,102,972	154,747,156	370,573	(515,678)
Net Change	**(11,671,481)**	**(7,596,509)**	**(4,074,972)**	**(11,671,481)**	**0**	**0**

The Public Safety Fund (PSF) projects a General Fund contribution decrease of ($4,074,972) from the Working Budget.

The PSF provides funding for the District Attorney, Sheriff, Public Defender/Conflict Defender, Probation and Other Public Defense.

At Midyear, the PSF projected an operating deficit of ($4.08 million) primarily due to a significant decline in Proposition 172 revenues allocated to counties. Proposition 172 revenues are sales tax receipts designated to fund Public Safety programs that are generated from a half percent State sales tax. In Solano County, Proposition 172 revenues are allocated to the Sheriff, Probation and the District Attorney, with 5% of the total distributed to the cities.

Third Quarter projections reflect a better year-end fiscal outlook for the PSF, reducing the projected operating deficit from Midyear of $4.08 million to $2.94 million at Third Quarter. An onetime transfer of $1.2 million from the Accrued Leave Pay-off designation to cover the General Fund share of pay-outs to retirees and laid off employees and an increase of General Fund contribution of $1.74 eliminate the balance of the projected deficit.

The PSF projects that a net gain of $1.1 million will be realized through expenditure reductions of $1.7 million. Contributing to the decrease in expenditures were Countywide rate reductions in Workers Compensation and Information Technology charges, totaling $826,000 for the PSF. Savings in health care costs for wards and inmates, lower vehicle charges from Fleet Management, and decrease in software purchases/licensing make up the balance.

Midyear projections of sharp declines in revenues have unfortunately proven to be accurate, with an additional decrease of ($546,778) in program revenues. Lower revenues are projected in Legal Fees, Interdepartmental revenues, and State Funding for CalWork. Proposition 172 revenues, which were projected at Midyear to decline by ($3.9 million) to $24 million for the fiscal year, are trending to come in at the lower revised estimates.

District Attorney – 6500

	Total Expenses	Program Revenues	General Fund Contribution	Total Revenues	FY2009/10 Encumb	Net Change
Third Qtr Projections	20,175,074	8,673,389	12,017,363	20,690,752	0	(515,678)
Working Budget	21,426,559	9,589,205	12,353,032	21,942,237	0	(515,678)
Net Change	**(1,251,485)**	**(915,816)**	**(335,669)**	**(1,251,485)**	**0**	**0**

The District Attorney projects a General Fund contribution decrease of ($335,669) from the Working Budget.

Criminal prosecution is the District Attorney's primary core program. It is funded with Proposition 172 revenues and General Fund contributions. Even as criminal complaints continue to rise, the District Attorney still has found it necessary to reduce the staffing levels for criminal prosecution to compensate for the loss of Proposition 172 revenues and to meet budget reduction targets. Although lean, the revised staffing level provides at least minimum coverage to meet existing caseloads. Meanwhile, discretionary programs, such as Family Violence, Community Prosecution Unit, the Rainbow Children's Center, have either been reduced or eliminated.

Public Defender – 6530

	Total Expenses	Program Revenues	General Fund Contribution	Total Revenues	FY2009/10 Encumb	Net Change
Third Qtr Projections	10,888,418	538,066	10,350,352	10,888,418	0	0
Working Budget	11,808,525	866,085	10,942,440	11,808,525	0	0
Net Change	**(920,107)**	**(328,019)**	**(592,088)**	**(920,107)**	**0**	**0**

The Public Defender projects a General Fund contribution decrease of ($592,088) from the Working Budget.

As a consequence of the budget cuts, the Public Defender decreased the number of deputy public defenders assigned to the Fairfield Felony Team, Vallejo Felony Team and the Juvenile Unit, resulting in an increase of caseloads per attorney, currently at close to 50% over the State Bar guidelines. In effect, this reduction has limited the ability of the Public Defender to work on alternative dispositions to incarceration, such as substance abuse and mental health treatment, which may increase the likelihood of recidivism. More significantly, the loss of the most senior public defenders in the office through the Early Retirement Incentive program has reduced the capability of the Public Defender to represent defendants in the more serious felony and capital cases. It should be noted that indigent defense is required by law. In cases where the Public Defender or the Conflict Defender cannot represent a defendant, the case is assigned by the judge to a Court-appointed private attorney at the County's expense.

In April, an Interim Public Defender was contracted to fill-in for the incumbent Public Defender, who left office. The Interim Public defender has been asked to evaluate the operations and management of the Public/Conflict Defender's office.

Conflict Defender – 6540

	Total Expenses	Program Revenues	General Fund Contribution	Total Revenues	FY2009/10 Encumb	Net Change
Third Qtr Projections	2,570,534	232,244	2,338,290	2,570,534	0	0
Working Budget	2,618,451	257,244	2,361,207	2,618,451	0	0
Net Change	**(47,917)**	**(25,000)**	**(22,917)**	**(47,917)**	**0**	**0**

The Conflict Defender projects a General Fund contribution decrease of ($22,917) from the Working Budget.

As a smaller unit, the loss of deputy public defender positions from budget reduction has had a greater impact on the Conflict Defender's Office. With fewer deputy public defenders assigned, the Conflict Defender must rotate attorneys to different court rooms most days. As a result, Conflict Defender's attorneys are constantly challenged to make scheduled court hearings, especially when they experience delays with their other cases that are being heard in other court rooms.

Sheriff – 6650

	Total Expenses	Program Revenues	General Fund Contribution	Total Revenues	FY2009/10 Encumb	Net Change
Third Qtr Projections	74,891,697	29,655,226	44,893,575	74,548,801	342,896	0
Working Budget	81,154,427	33,894,712	46,916,819	80,811,531	342,896	0
Net Change	**(6,262,730)**	**(4,239,486)**	**(2,023,244)**	**(6,262,730)**	**0**	**0**

The Sheriff projects a General Fund contribution decrease of ($2,023,244) from the Working Budget.

In spite of significant personnel cutbacks due to funding losses, the Sheriff has been able to maintain acceptable levels of service in the department's core programs by effectively managing resources and prioritizing programs. As one of the Sheriff's core program, patrol service continues to be provided seamlessly over 850 square miles of unincorporated area, giving public protection to over 21,000 residents. Even though response time has increased slightly, the Sheriff has maintained a policy of responding to all calls for service in response to crimes committed or in progress.

The Sheriff continues to operate the County's two jail facilities with an inmate population of over 1,000. To compensate for the loss of public safety officers from the budget cuts, the capacity of the Claybank Jail Facility has been reduced by 219 beds, with the Claybank Jail Facility officers reassigned to Justice Center Facility in downtown Fairfield. This move has increased the jail population of the Justice Center Facility, which is currently operating at full capacity.

Probation – 6650

	Total Expenses	Program Revenues	General Fund Contribution	Total Revenues	FY2009/10 Encumb	Net Change
Third Qtr Projections	31,604,310	10,948,750	20,627,883	31,576,633	27,677	0
Working Budget	34,793,552	13,036,938	21,728,937	34,765,875	27,677	0
Net Change	**(3,189,242)**	**(2,088,188)**	**(1,101,054)**	**(3,189,242)**	**0**	**0**

Probation projects a General Fund contribution decrease of ($1,101,054) from the Working Budget.

Core programs for Probation include the supervision of adult and juvenile offenders, and the operation of the Juvenile Detention Facility. Probation is dealing with the funding loss and subsequent staff reductions resulting from the budget cuts by improving efficiency, reducing non-mandated core services and focusing the Department's limited resources on higher risk offenders. Notwithstanding the budget cuts, Probation continues to provide face-to-face supervision to the highest risk offenders, and sex offenders and domestic violence offenders who are considered medium risk offenders. In Juvenile Services, the elimination of a Senior Deputy Probation Officer has reduced the Department's capacity to provide specialized intensive intervention for 15 to 20 high-need youths.

Other Public Defense – 6730

	Total Expenses	Program Revenues	General Fund Contribution	Total Revenues	FY2009/10 Encumb	Net Change
Third Qtr Projections	2,800,537	0	2,800,537	2,800,537	0	0
Working Budget	2,800,537	0	2,800,537	2,800,537	0	0
Net Change	**0**	**0**	**0**	**0**	**0**	**0**

Other Public Defense projects no change in General Fund contribution from the Working Budget.

Other Public Defense funds the costs of Court-appointed private attorneys representing indigent defendants that cannot be represented by the Public Defender's or Conflict Defender's Offices. In contrast to the trend of decreasing costs in both the Public Defender's and Conflict Defender's Office, and in all other County departments, the costs for this third level indigent defense continue to increase from year to year.

To help mitigate costs, the County, in collaboration with the Courts and with the agreement of the local bar association, implemented a new guideline for payment of indigent defense costs billed by Court-appointed attorneys. The new guidelines include lower rates for services provided by Court-appointed attorneys and investigators. In addition, the Board of Supervisors directed the Board's Law and Justice Committee to work with the Courts and the local bar association to develop a plan that would further reduce the costs of third level indigent defense without compromising the quality of representation. This effort is currently under way.

OTHER PUBLIC PROTECTION

Department of Child Support Services – 2480

	Working Budget	Third Quarter	Change
Expenditures	12,335,813	12,194,253	(141,560)
Revenue	12,098,009	12,194,253	96,244
Fund Balance	**237,804**	**0**	**(237,804)**

The Department of Child Support Services (DCSS) projects a Fund Balance of ($237,804). The department will be coming to the Board separately to discuss the use of the Fund Balance.

Agricultural Commissioner – 2830

	Working Budget	Third Quarter	Change
Expenditures	2,923,177	2,761,257	(161,920)
Revenue	1,869,581	1,923,342	53,761
Net County Cost	**1,053,596**	**837,915**	**(215,681)**

The Agricultural Commissioner/Weights and Measures project a Net County Cost decrease of ($215,681) from Working Budget. This is due to the ($161,920) decrease in expenditures, and primarily comprises of the deletion of the FARM Coordinator position and a reduction in Extra Help. Revenues increased as the result of an increase in Unclaimed Gas Tax Revenue and unanticipated grant revenue for the European Grape Vine Moth pest detection.

The department continues to provide acceptable levels of service.

Animal Care Services – 2850

	Working Budget	Third Quarter	Change
Expenditures	2,389,138	2,301,252	(87,886)
Revenue	1,933,991	1,868,382	(65,609)
Net County Cost	**455,147**	**432,870**	**(22,277)**

Animal Care Services projects a Net County Cost decrease of ($22,277) from Working Budget. This is mainly due to both a decrease in expenditures and revenue. Revenues received per the MOU with the cities for animal care services has continued to decrease over the last two years with a ($74,788) decrease in this fiscal year while seeing an increase in costs due to the increasing amount of animals received.

Also impacting this budget are the swings in the administrative overhead costs which result in large sways in the amounts billed to cities. Animal Care Services will see impacts if revenues continue to decline while animal intake continues to increase. Possible impacts could be reduced hours the shelter is open to the public and the number of spay/neuters being performed in house. Decreased shelter hours could result in less adoptions and possible increase in the number of animals euthanized.

Recorder – 2909

	Working Budget	Third Quarter	Change
Expenditures	1,551,135	1,544,879	(6,256)
Revenue	815,865	965,390	149,525
Fund Balance	**735,270**	**579,489**	**(155,781)**

The Recorder budget projects a Fund Balance of ($155,781). This is primarily the result of increases in interest income and recording fee revenue.

HEALTH AND SOCIAL SERVICES

Health and Social Services – Fund 902

	Total Expenses	Program Revenues	General Fund Contribution	Total Revenues	FY09/10 Encumb	Net County Cost
Third Qtr Projections	254,985,283	228,430,783	30,341,670	258,772,453	109,238	(3,896,408)
Working Budget	269,792,898	241,626,202	31,337,417	272,963,619	109,238	(3,279,959)
Net Change	**(14,807,615)**	**(13,195,419)**	**(995,747)**	**(14,191,166)**	**0**	**(616,449)**

At Third Quarter, Fund 902 expenditures are projected to decrease by ($14,807,615), and revenues are projected to decrease by ($14,191,166), when compared to the Working Budget, with a decrease in General Fund Contribution of ($995,747) from Working Budget.

Summary of Major Revenue/ Expense Categories

Revenues are projected to exceed expenditures by $3,787,170, approximately $600,000 higher than the Working Budget. The Working Budget included revenues earned in the FY2008/09, which were deferred by the State; as a result, the FY2009/10 budget included $3.17 million more in revenues than expenditures. At Third Quarter, this "surplus" is projected at $3.79 million, due primarily to the CAO reduction in charges for Workers Compensation of ($603,000). Since most of the H&SS revenues are based on actual expenditures, it is anticipated by the Department that the reduction in Workers Compensation costs will result in lower than projected revenue. This adjustment in revenues has not been reflected in the Third Quarter projection and could range from a reduction of ($400,000) to ($500,000).

H&SS is projecting a Federal and State revenues of ($12,441,707) as compared to the Working Budget. Intergovernmental revenues are projected to be approximately $1.8 million less than budgeted, due to reductions in anticipated State allocations for some programs, along with the loss of Federal matching funds. The balance of the estimated reduction in intergovernmental revenue, approximately ($6.5 million), is due to a reduction in expenditures. As a result, H&SS is under spending available State and Federal funding, primarily in Eligibility and Employment Services, Child Welfare Services, and Older and Disabled Adult Services. The deletion of (50 FTEs) in October 2009 and the reduction of (23 FTEs) as a result of ERI, has reduced expenditures, resulting in lower claimable costs.

At Midyear, the Department projected a significant revenue shortfall in the Mental Health Division, due primarily to expected delays in State reimbursements. The Department intended to utilize Federally Qualified Health Center (FQHC) settlement funds to cover the resulting cash flow problem. At Third Quarter, the department projects that it will receive sufficient revenues to cover expenses, including payment of State reimbursement through May 2010, along with an increase in the Federal match for Medi-Cal (Short-Doyle) funding due to American Recovery and Reinvestment Act (ARRA) funding. As a result, the Department is not projecting a cash flow problem in FY2009/10, and will not need to utilize the Federal FQHC settlement monies, which have been set aside pending final Federal audit of medical charts and billing information.

Salaries and Benefits are projected at $104,096,157, which is ($7,075,153) less than the Working Budget and ($1,706,097) less than Midyear projection. Expenditures have been reduced primarily due to the deletion of (83) positions during FY2009/10, and management efforts to reduce costs by lowering expenses in Extra Help, Overtime and Call Back, Premium Pay and Standby Pay.

As noted previously, Workers Compensation costs are reduced per CAO direction, while offsetting revenue reductions remain to be determined. These expenditure reductions were offset by an increase in Accrued Leave Payoff of $596,297 as compared to Working Budget, primarily due to ERI payouts as well as accrued leave payments for employees who were laid off in January 2010.

Service and Supplies are projected at ($4,742,185) less than the Working Budget, due to delays in IT projects for Mental Health and MEDS Security System, delay in installation of a new voice mail/VOIP project at the Fairfield campus, reductions in cell phone charges, building maintenance, travel, training, purchase of computer equipment, consulting services, temporary help, DoIT charges, and other miscellaneous expenses in an effort to control costs.

Other Charges, which includes cash assistance payments to clients, as well as contracted direct client services, is reduced by ($2,451,112) as compared to the Working Budget, which is approximately ($485,000) less than the savings projected at Midyear.

Factors contributing at Third Quarter to expenditure reductions from the Working Budget include:

- A ($1,888,601) reduction in child care expenses due to a change in regulations in CalWORKs, which exempts parents with infants from work requirements.

- A ($1,715,556) reduction in contracted direct client services resulting from a decrease in the number of children in Foster Care, delays in implementation of the Workforce Educational Program funded by MHSA, and reduced contracts for Public Health programs due to lower State allocations. The Third Quarter projection exceeds the Midyear projection by approximately $485,000, primarily due a 32% increase in group home rates for Foster Care placements approved by the State.

- A $844,971 increase in IHSS provider payments due to higher than budget wages. The County is currently paying $11.50 per hour, as compared to the budget amount of $9.50 per hour. The impact of the increase in hourly wages is offset by State participation at the higher wage amount and Federal Medical Assistance Percentages (FMAP).

Significant revenue changes include:

- The reclassification of ($1,318,889) in Federal revenues to Other Revenues.

- A delay in the expenditure of ($1,158,053) for an Electronic Health Records system in the Mental Health Division.

- A decrease of ($550,483) in Federal aid for Maternal Child Health Program due to delayed reimbursement.

- A decrease of ($1,665,832) in State and Federal Revenues, the combination of lower reimbursements resulting from staff reductions, partially offset by increased Federal funding, primarily for Food Stamp administration.

Intergovernmental Revenue is projected at $198,885,079, which is ($12,441,707) less than the Working Budget and ($4,636,691) less than the Midyear Budget. Intergovernmental Revenues have been significantly reduced as discussed above due to a decline in Realignment Revenue, reduced State allocations, and loss of Federal and State expense reimbursement attributed to cost reductions from the staff reductions taken during FY2009/10.

Charges for Services, consisting primarily of billing for Medi-Cal, Medicare, Early Periodic Screening Diagnosis and Treatment (EPSDT) and other direct services, is projected at $21,497,766, a reduction of ($2,763,352) from the Working Budget, and approximately ($2,000,000) less than the Midyear Budget. The difference from the Midyear projection is primarily due to increases in State and Federal reimbursements for Mental Health services, which has eliminated the need to utilize FQHC settlement funds as anticipated.

The following table summarizes projections for H&SS's operating divisions.

	Total Expenses	Program Revenues	General Fund Contribution	Total Revenues	Net County Cost
7501 - Administration					
Third Qtr Proj	5,002,191	3,164,214	1,890,766	5,054,980	(52,789)
Working Budget	5,412,202	3,233,132	1,890,766	5,123,898	288,304
Net Change	**(410,011)**	**(68,918)**	**0**	**(68,918)**	**(341,093)**
7550 - Public Guardian					
Third Qtr Proj	1,987,868	213,376	1,963,967	2,177,343	(189,475)
Working Budget	2,205,937	241,970	1,963,967	2,205,937	0
Net Change	**(218,069)**	**(28,594)**	**0**	**(28,594)**	**(189,475)**
7680 - Social Services (includes E&E, CWS, ODAS and Welfare Admin)					
Third Qtr Proj	81,000,173	74,401,885	7,738,050	82,139,935	(1,139,762)
Working Budget	88,756,861	80,601,653	8,111,990	88,713,643	43,218
Net Change	**(7,756,688)**	**(6,199,768)**	**(373,940)**	**(6,573,708)**	**(1,182,980)**
7690 - In-Home Supportive Services					
Third Qtr Proj	598,523	602,656	0	602,656	(4,133)
Working Budget	917,289	917,289	0	917,289	0
Net Change	**(318,766)**	**(314,633)**	**0**	**(314,633)**	**(4,133)**
7780 - Behavioral Health (includes Substance Abuse, MH and Managed Care)					
Third Qtr Proj	54,789,959	50,204,495	7,426,704	57,631,199	(2,841,240)
Working Budget	59,861,215	54,671,590	7,858,970	62,530,560	(2,669,345)
Net Change	**(5,071,256)**	**(4,467,095)**	**(432,266)**	**(4,899,361)**	**(171,895)**
7880 - Health Services (includes Family Health, Public Health and Medical Services)					
Third Qtr Proj	46,953,782	43,229,197	3,924,762	47,153,959	(200,177)
Working Budget	49,308,047	45,393,921	4,114,303	49,508,224	(200,177)
Net Change	**(2,354,265)**	**(2,164,724)**	**(189,541)**	**(2,354,265)**	**0**
7900 - Assistance Programs					
Third Qtr Proj	64,652,787	56,614,960	7,397,421	64,012,381	640,406
Working Budget	63,331,347	56,566,647	7,397,421	63,964,068	(632,721)
Net Change	**1,321,440**	**48,313**	**0**	**48,313**	**1,273,127**

Following are discussions of those Departmental divisions which have undergone, or are projected to undergo, significant financial or programmatic change since the Midyear Budget. Those not discussed below are continuing substantially on the path set at Midyear.

Mental Health - 7700

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

- A ($1,333,703) decrease in Services and Supplies primarily due to decreases of ($943,896) in software licenses and agreements and ($102,846) in equipment maintenance which are the result of a delay in the purchase of an Electronic Health Record (EHR) system until next fiscal year.

- A ($1,014,099) decrease in Other Charges resulting from a projected declines in usage of Napa State Hospital beds, Institute for Mental Disease (IMD) placements, and contracted direct services. Due to intensive efforts to place individuals in the most cost effective, least restrictive facilities, the Department anticipates fewer high level placements for clients than projected at Midyear. As funding for Mental Health services continues to decline and fewer of community support services are available, it should be noted that bed usage may increase beyond projections.

- A ($2,565,958) decrease in revenues, including a reduction of ($2,384,095) in State Other monies which is offset with increases of $675,175 in State Short Doyle Medi-Cal, $66,862 in State Admin Medi-Cal, $230,120 in Short Doyle Quality Assurance, and $156,439 in ARRA-FMAP Federal monies.

  The Division is also projecting an increase of $378,633 in Other Revenue due to contract accrual reversals from the prior fiscal year.

  At Midyear, the Division assumed the revenue recognition of one time FQHC settlement monies during this fiscal year. The State Department of Healthcare Services (DHCS) still has yet to complete the final audit and reconciliation of FQHC encounters and chart data.

Substance Abuse – 7560

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

- A ($115,344) decrease in Other Charges resulting from a projected decline in contracted direct services due to Drug Medi-Cal and Offender Treatment Program (OTP)/Justice Assistance Grant (JAG) services not being utilized as expected at Midyear.

- A ($105,357) decrease in Intergovernmental Revenues due to a reduction in Drug Medi-Cal and OTP/JAG grant revenues. Services for clients in these programs have not increased at the rate projected at Midyear.

Employment and Eligibility Services – 7650

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

- A ($688,945) decrease in Salaries and Benefits primarily due to overly optimistic expectations of filling 20.0 FTE limited-term eligibility workers by February 2010 and a reduction in workers' compensation insurance costs. The Division has so far hired eight and expects to hire the remaining vacant limited-term and regular positions by May 2010.

- A ($1,665,832) decrease in intergovernmental and other revenue, primarily due to:
  - Delayed hiring of allocated and vacant positions, including the eligibility workers noted above, which has resulted in greater revenue loss than was projected during Midyear projections.
  - A ($2,064,639) decrease in CalWORKS revenue that will not be earned due to staff reductions. In the October 27, 2009 Board report, H&SS explained that there is a shift within the CalWORKS allocation from child care expenditures to eligibility activities that require staffing. H&SS does not have sufficient staffing in the CalWORKS programs 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.
  - A ($493,201) decrease in Medi-Cal revenue primarily due to carry-forward of MEDs Security Project allocation to next year. The projection assumes the hiring of all vacant positions in order to draw down this allocation.
  - A $946,354 increase in State and Federal Food Stamps revenue primarily due to revenue received from prior year adjustment. Additionally, this projection assumes the hiring of all vacant eligibility worker positions in order to draw down revenue.
- A ($786,997) decrease in County General Fund due to the increase in the CMSP allocation and due to the re-allocation to Child Welfare Services, per attached Appropriation Transfer Request.

Assistance Programs - 7900

The Division's projected changes include:

- A $902,021 increase in expenditures for AFDC Foster Care programs, due primarily to a 32% increase in group home rates, effective December 2009
- A $530,031 increase for CalWORKS Assistance due to a projected 2% increase in caseload based on increases between November 2009 and February 2010.
- A $214,938 increase for In Home Supportive Services (IHSS) Provider Wages, due to slight increase the number of non-Federal cases and paid provider hours for non-Federal cases. Note: 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, while the Working Budget reflects wages at $9.50 per hour.
- A ($529,731) decrease in Inter-governmental Revenues is the net of a $909,251 increase in State Revenue and Federal Revenue related primarily to increases in Foster Care and CalWORKS programs, and a ($1,318,899) decrease in Federal Other revenue, resulting from the reclassification of this revenue as Other Revenue.
- An increase of $1,839,290 in Other Revenue, of which $1.3 million was reclassified from the division's Federal Other Revenue line item. A portion of these monies are a reimbursement for amounts paid in FY2008/09 to the State as the County's share of cost for IHSS provider wages, prior to the implementation of the higher Federal Medical Assistance Percentage (FMAP). The balance of this revenue is a reimbursement for IHSS Waiver services that are billed first as non-federal services through the IHSS Case Management Information and Payrolling System (CMIPS) database.

- County General Fund is projected at the Midyear Budget amount. However, this Division has a shortfall of ($807,070) primarily as a result of the 32% increase in rates for Foster Care group home payments. H&SS proposes to offset this shortfall with the savings in Department 7680.

EDUCATION AND RECREATION

Library – 6300

	Working Budget	Third Quarter	Change
Expenditures	27,730,334	20,764,950	(6,965,384)
Revenue	18,062,581	16,316,780	(1,745,801)
Fund Balance	**9,667,753**	**4,448,170**	**(5,219,583)**

The Library projects a Fund Balance of ($5,219,583) at the end of the fiscal year.

Expenditure decreases are mainly due to a ($1,137,038) reduction in staffing and a reduction in construction in progress. Revenue decreases are due to a reduction in property tax revenue, interest income, State revenue, other professional services and operating transfers in.

The Library projects continual reductions in property and sales tax revenues and has begun adjusting staffing levels accordingly. Library Administration remains sensitive to promises made to County residents as part of the passage of Measure B, a 1/8th of a penny sales tax passed in 1998 that allowed the Library to double its hours open to the public, quadruple the budget for books and other materials, and triple programs for children and teens. The upcoming fiscal year will present a challenge of balancing an increasing demand for library services with diminishing revenues.

Cooperative Extension – 6200

	Working Budget	Third Quarter	Change
Expenditures	328,461	313,551	(14,910)
Revenue	3,200	3,200	0
Net County Cost	**325,261**	**310,351**	**(14,910)**

Cooperative Extension projects a decrease of ($14,910) in Net County Cost primarily due to the reduction in the Master Gardner program staffing and Services and Supplies. As a means of increasing revenue, the Cooperative Extension entered into a MOU with Resource Management to implement youth education programs on waste diversion programs like composting and vermicomposting to meet the goals set forth in AB 939.

This budget is primarily supported by General Fund dollars and programs will be impacted with additional reductions.

Parks – 7000

	Working Budget	Third Quarter	Change
Expenditures	1,349,301	1,423,761	74,460
Revenue	877,644	952,104	74,460
County Contribution	570,996	570,996	0
Fund Balance	**(99,339)**	**(99,339)**	**0**

The Parks budget projects to end the year with zero Fund Balance. Working Budget includes an increase of $114,168 County Contribution that was approved by the Board on February 23, 2010. The Parks' Contingency of $3,456 is projected to be used to end the fiscal year.

Third Quarter projections includes costs of the MOU between Solano Land Trust and the County for the operation of Lynch Canyon Open Space as a County park. The MOU expires on June 30, 2010.

INTERNAL SERVICE AND ENTERPRISE FUNDS

Communications - 1600

	Working Budget	Third Quarter	Change
Expenditures	2,787,256	2,322,969	(464,287)
Revenue	2,762,875	1,967,968	(794,907)
Fund Balance	**24,381**	**355,001**	**330,620**

Communications projects an end of year deficit of $330,620 from Working Budget. This deficit will be covered with Communication Fund reserves.

Expenditures have decreased ($464,287) primarily the result of retirements, less Countywide telephone usage, no cabling services other than on capital projects, and deferring the purchase of non-critical communications equipment.

Revenues have decreased ($794,907) from Working Budget, primarily the result of decreases in Countywide telephone usage and cabling charges, interest income, and revenue from other agencies for the radio interoperability project. Revenue should be received in the first quarter of FY2010/11 once this radio interoperability project is complete.

Department of Information Technology - 1870

	Working Budget	Third Quarter	Change
Expenditures	21,479,293	16,631,425	(4,847,868)
Revenue	20,221,962	16,542,912	(3,679,050)
Net Gain/Loss	**1,257,331**	**88,513**	**(1,168,818)**

DoIT projects a Fund Balance of ($1,168,818) at year end.

During a Third Quarter review, DoIT reduced charges to departments by ($3,679,050) when compared to Working Budget. This is primarily due to costs associated with the elimination of the 311 Call Center program, the deferment of the SCIPS migration loan payment, a reduction in staffing, and a reduction in the ACS contract. Also, the purchase of discretionary and non-critical equipment has been deferred along with software licensing savings and delaying disaster recovery site implementation. In addition, DoIT is working with departments to defer, cancel, or reduce the scope of department requested IT projects without impairing department operations. County departments may experience a slower servicing response time from DoIT.

The loan payments for the SCIPS Migration Project are being extended from three to five years, beginning in FY2010/11 through FY2014/15.

Reprographics – 1901

	Working Budget	Third Quarter	Change
Expenditures	653,711	511,323	(142,388)
Revenue	650,082	362,623	(287,459)
Fund Balance	**3,629**	**148,700**	**145,071**

Reprographics projects an end of year deficit of $145,071 when compared to Working Budget. This is an increased deficit of $37,660 from Midyear projections, which is primarily a factor of a ($287,459) loss in revenue due to less demand for services.

The decline in demand is due to:

- The availability of convenient networkable copiers in departments which now have multi-function/high speed capabilities;
- The demand for specialized services not provided by Reprographics;
- Departments opting to publish reports electronically on the internet to save time, money and to be environmentally responsible, and
- Departmental budget cuts resulting in less demand for print services.

On February 23, 2010, a report was provided to the Board outlining a projected year end deficit of $123,000 due to the declining demand for print services and was also reflected in the Midyear Report. The demand for services continues to fall, resulting in declining revenues. The Board approved the use of the Equipment Reserve Fund of $123,282 to finance a portion of the projected end-of-year deficit, pending the results of year end closing. The Department may need to return to the Board to address any shortfall in excess of the reserve amount.

Fleet – 3100

	Working Budget	Third Quarter	Change
Expenditures	5,791,094	3,963,073	(1,828,021)
Revenue	5,667,796	4,572,424	(1,095,372)
Fund Balance	**123,298**	**(609,351)**	**(732,649)**

Fleet projects a Fund Balance of ($732,649). This is the result of a decrease in expenditures and revenues. The change in expenditures is mainly due to a ($1.2 million) decrease in vehicle purchases as departments are deferring replacing vehicles as a way to reduce departmental costs. Also, revenues decreased due to reduced fuel sales and vehicle repairs.

Fleet continues to service vehicles, and the Department continues to maintain acceptable levels of service.

Airport – 9000

	Working Budget	Third Quarter	Change
Expenditures	5,723,883	2,293,816	(3,430,067)
Revenue	5,210,962	2,090,982	(3,119,980)
Fund Balance	**512,921**	**202,834**	**(310,087)**

The Airport budget projects a Fund Balance of ($310,087). This is the result of the removal of the helicopter apron project from the Third Quarter projection and the respective revenue. This project will be included at a later date once Federal funding is secured.

Also, the Working Budget anticipated that the Fixed Based Operator would be in full operation sooner than May or June and providing fueling services. At this time the Airport has had minimal impact on its daily operations.