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Supervisor Dick Monteith, Chairman
Supervisor William O'Brien
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Honorable Members of the Board,

In the best of times the development of a County budget that adequately addresses the many wants and needs of a diverse community is a difficult task. During times of extreme economic distress, that task becomes monumental, and the underlying objective shifts from addressing the wants and needs of the community, to one of identifying and funding only the core community programs necessary to sustain the community through the difficult times. Stanislaus County is operating in times of extreme economic distress.

Adding to the challenge of presenting a balanced County budget is the recognition that the normal cyclical pattern of this County's economy is dramatically different than in previous recessions. Discretionary revenue has dropped each of the last four years, and any budget solution must both define a current spending plan and present a viable solution for the future financial stability of the organization.

And so we find ourselves at a significant crossroads in defining the direction of Stanislaus County, both as a community and as a governmental organization. Quoting from Ralph Waldo Emerson,

The future belongs to those who prepare for it

Stanislaus County has, by its actions, embraced this philosophy. During the past three years, the County's General Fund has been reduced by almost $50 million at a time when inflationary pressures have driven up the normal cost of doing business. Stanislaus County continues to develop and implement long term budget strategies, focusing not only on the immediate benefits, but also on the

long term value associated with a particular strategy. Stanislaus County and our labor groups have worked together and completed the implementation of a non-enhanced defined benefit retirement system for new employees. This, at a time when most public agencies and their labor groups continue to argue over the very idea of reduced benefits, even for people not currently in their county workforce is a remarkable accomplishment.

As an organization, Stanislaus County is committed to the highest standard of performance in addressing local programs and issues. This commitment to the community continues to meet new challenges as the responsibility for programs that have traditionally been administered at the state or federal level fall on the shoulders of local governments. As a County, our focus must be on the development of creative and cost effective solutions that will best meet the needs of the community.

The County ended the 2010-2011 Fiscal Year in a positive position, and will begin the 2011-2012 Fiscal Year with a balanced budget. General Fund Departments have been very proactive in addressing current and future budget needs, taking full advantage of the budget carryover program made available to them for the 2009-2010 and 2010-2011 Fiscal Years to set aside approximately $10.1 million to assist in mitigating future year shortfalls. Proactive Departments are strategically planning for expected future year budget reductions by developing long term budget forecasts and evaluating the probable long term effect of decisions facing them in the current year. Stanislaus County Department Heads continue to demonstrate strong leadership and creativity during these challenging times.

The Recommended Final Budget Addendum for Fiscal Year 2011-2012 reflects a total County budget of $891,127,103, a decrease of $3,144,865, reflecting a reduction of 0.3%, in comparison with the June 7, 2011 Adopted Proposed Budget. The decrease is primarily attributed to the reclassification of the Environmental Resources – Waste-to-Energy budget of $13,047,138 from an enterprise fund to an agency fund, exempting it from appearing in the County's Final Budget document. The Adopted Proposed Budget document coupled with this addendum of recommended changes reflects the entire recommended spending plan for Stanislaus County for Fiscal Year 2011-2012. The County's General Fund, the more discretionary portion of the County's budget, is recommended at $230,029,775, up $3,326,104 from the Adopted Proposed Budget.

The Final Budget recommends the continued use of one-time funds totaling $14.9 million to balance the General Fund. This is an increase of $1.7 million when compared with the Adopted Proposed Budget. This increase principally addresses carryover balances, based on increased departmental revenue, to the County Departments who have successfully recorded a net county cost savings in Fiscal Year 2010-2011.

The County's property tax assessment roll declined for the fourth consecutive year, with this year's loss at 3.36%. Cumulative property tax losses over the last four years are now over 22%. With over 60% of the County's discretionary revenue coming from property taxes, the recovery of the County's General Fund is very much dependent on property values.

This Final Budget Addendum recommends a total of 3,607 allocated and funded positions, up by 31 from the Recommended Proposed Budget of 3,576. Staffing has continued to decrease overall by 139 positions from the 2010-2011 Adopted Final Budget total allocation of 3,746 and a decline of over 850 positions since the 2008-2009 Fiscal Year.

As noted above, while this final budget recommends a spending plan for Fiscal Year 2011-2012, Chief Executive Office Senior Staff and County Departments are actively working to develop budget solutions to address the ongoing operational deficits, and eliminate the need to supplement the operating budget with one time funding sources. Budget modeling, including analyses of numerous options and alternatives, that can take the County through Budget Year 2014-2015 are being developed and refined as new information becomes available. The retirement of the County's Pension Obligation Bond, with an annual debt service of over $11 million, will occur in the 2014-2015 Budget Year, a factor that will strongly influence short and intermediate strategies.

Based on this modeling, we are fully aware that as an organization, further budget cuts will be required to balance the County budget and eliminate the reliance on one-time funding sources. Current budget projections indicate a deficit for Budget Year 2012-2013 estimated at $17.4 million. This shortfall assumes no growth in discretionary revenue, no further erosion of the County's property tax roll, a projected retirement rate increase of 20%, the end of the Countywide 5% salary deduction, and the use of $9.2 million in one-time funding.

As an organization we have come a long way, but we clearly have much work yet to do. We are becoming a more sustainable organization focusing on the delivery of core services to the members of our community. To be successful however, we must continue to redefine ourselves as an organization, remaining diligent in our efforts to deliver local services in an efficient and cost effective manner.

This will be my final budget message. It has and continues to be an honor to share the vision of a strong and healthy community with the extraordinary people in Stanislaus County. I am proud of the efforts of Stanislaus County, both as an organization and as a community, in meeting the needs of so many during these very challenging times.

To our County Department Heads and the excellent and hard working staff in the Chief Executive Office, and to all of the valuable County employees who proudly

represent the best in county government and public service, I express my sincere appreciation to you for your leadership, vision, and dedication to the community and to the organization.

And to each of you on the Board of Supervisors, thank you for your willingness and courage to make difficult decisions. I am grateful that, as demonstrated by your actions, you continue to support the many needs of the residents of Stanislaus County. I am thankful that you continue to dare to hope, even in the most challenging of times!!!

We should never forget the value of a shared vision – to strive to be the best in all that we do. By coming together we will accomplish much. By working together we will thrive as an organization and as a community.

It seems fitting to leave you with a thought from one of America's greatest entrepreneurs, Henry Ford:

Coming together is a beginning. Keeping together is progress.
Working together is success.

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Respectfully submitted,

Richard W. Robinson
Chief Executive Officer