County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

December 18, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

APPROVAL OF APPROPRIATION ADJUSTMENT, APPROVAL TO USE COMMERCIAL PAPER AND ADOPTION OF REIMBURSEMENT RESOLUTION FOR THE ELECTRONIC HEALTH RECORD INFORMATION SYSTEM (ALL SUPERVISORIAL DISTRICTS) (4 VOTES)

SUBJECT

Approval of a Fiscal Year 2012-13 appropriation adjustment for the Department of Health Services, issuance of Commercial Paper to fund $359.0 million of Electronic Health Record Information System Project expenses and adoption of a reimbursement resolution.

JOINT RECOMMENDATIONS WITH THE DIRECTOR OF HEALTH SERVICES THAT THE BOARD:

1. Approve the appropriation adjustment for Fiscal Year 2012-13 to account for the bond proceeds and the corresponding appropriation authority in order to pay for the anticipated Electronic Health Record Information System Project expenses in Fiscal Year 2012-13.

2. Approve the issuance of Commercial Paper in an aggregate amount not-to-exceed $359.0 million to fund costs of the Electronic Health Record Information System Project.

3. Adopt the "Resolution of the Board of Supervisors of the County of Los Angeles Declaring its Intention to Reimburse Certain Capital Expenditures from the Proceeds of Taxable or Tax-Exempt Obligations (Electronic Health Record Information System)."

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The Board approved an agreement with Cerner Corporation (Cerner) on November 27, 2012, for the provision of an electronic health record system for the Department of Health Services (DHS). To avoid confusion with the County's existing EHR time collection system, we will refer to the new DHS record system as the Electronic Health Records Information System (EHRIS) moving forward. In the same action on November 27, 2012, the Board authorized DHS to fill 55 new Full-Time Equivalent (FTE) positions to implement and deploy the EHRIS. At that time, DHS informed the Board that the department would return before the December 21, 2012 effective date of the agreement to request a Fiscal Year (FY) 2012-13 appropriation adjustment to account for the Commercial Paper proceeds and the corresponding appropriation authority in order to pay for the anticipated project expenses in FY 2012-13 of the EHRIS. Approval of the recommendations will:

- provide the authorization to utilize Commercial Paper borrowing to fund the expenses of the EHRIS;
- enable reimbursement of expenses initially funded with net County cost using Commercial Paper proceeds, if any;
- allow a new fund and accounts to be established under a new Capital Project Special Fund and the creation of a new budget unit in DHS for the EHRIS for monitoring and tracking purposes; and,
- provide the authority for a FY 2012-13 appropriation adjustment to increase revenue for the Commercial Paper proceeds from the financing and the corresponding appropriation authority by $67.9 million for the first fiscal year only of the total EHRIS cost.

The first fiscal year costs include Cerner contract initiation and first year contract cost, funding for the 55 new FTE positions previously approved by the Board, funding for Subject Matter Experts (SMEs), County infrastructure requirements to support EHRIS, County Pool Dollars, and a forthcoming consulting services agreement for assistance with EHRIS implementation.

The $359.0 million EHRIS will be completed in two stages over five years. The total system development costs are estimated at $359.0 million, consisting of approximately $253.1 million spent through the first three years (through FY 2014-15), and $105.9 million during years 4 and 5 (FY 2015-16 and FY 2016-17). The initial system

modules for Harbor-UCLA Medical Center, Martin Luther King Jr., Multi-purpose Ambulatory Care Center (MACC) and LAC+USC Medical Center will be completed by the end of FY 2014-15, with the remaining modules for Olive View-UCLA Medical Center, Rancho Los Amigos National Rehabilitation Center, and High Desert MACC completing by the end of FY 2016-17.

The Chief Executive Office will return to the Board with recommendations for 10-year take-out bond financing, following consultation with the Treasurer and Tax Collector (TTC), at each of the two stages of module completions. Long-term debt service is projected to begin in FY 2016-17 and is estimated at $31.0-$32.0 million annually, gradually increasing to $52.0 million by FY 2022-23. DHS will fully offset the debt service costs through FY 2017-18 with federal incentive payments for completion of the EHRIS and operating savings from its QuadraMed transition. Debt service in future years will be funded with additional revenues available due to the implementation of healthcare reform and implementation of a new waiver.

Appropriation and funding for the total FY 2012-13 EHRIS costs will be budgeted in the new Capital Project Special Fund being established for this purpose, and the funding for the 55 new positions and the SMEs will be transferred to the new DHS' EHRIS budget unit as needed for the cost of the 55 new positions and SMEs.

Appropriation and funding for the total of 86 positions (consisting of 55 new positions and 31 existing positions to be transferred within DHS to the new DHS' EHRIS budget unit), and the SMEs will be budgeted, and the corresponding expenses incurred, in the new budget unit that will be created in DHS specifically for these EHRIS costs of $8.3 million. All other EHR costs will be budgeted and expended through the new Capital Project Special Fund.

Reimbursement Resolution

The enclosed reimbursement resolution provides the ability for DHS to initially fund EHRIS expenditures using existing operating budget appropriation and subsequently reimburse those funds using commercial paper proceeds. Though projected EHRIS payment requirements indicate that system expenditures will all be directly funded with commercial paper proceeds, the reimbursement resolution will provide additional budgetary flexibility.

Implementation of Strategic Plan Goals

The recommended action supports Fiscal Sustainability (Goal 2) of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

Approval of the recommended actions will enable the County to implement the new $359.0 million EHRIS. The system development expenses will be spread over a five-year period, initially funded with Commercial Paper and ultimately through the issuance of long-term bonds. The CEO will return to the Board, with TTC, with long-term bond issuance recommendations following completion of the first stage modules, expected by the end of FY 2014-15. Long-term debt service is anticipated to start in FY 2016-17 at between $31-$32 million annually, increasing to $44 million in FY 2018-19 and FY 2019-20, and to $52 million in FY 2021-22, with the increases reflecting the layering in of debt service from both bond issuances.

DHS will fund annual interest and administrative costs on the Commercial Paper and fully offset bond debt service in FY 2016-17 and FY 2017-18 with federal incentive payments and operating savings from its QuadraMed transition. Debt service in future years will be funded with additional revenues available due to the implementation of healthcare reform and implementation of a new waiver.

Approval of the appropriation adjustment will increase revenue from Commercial Paper proceeds in the amount of $67,870,000 and corresponding appropriation authority of $59,618,000 in Services and Supplies in the EHRIS Capital Project Special Fund and will increase Salaries and Employee Benefits by $5,833,000, and Services and Supplies by $4,363,000 in the DHS EHRIS budget unit for the first fiscal year only of the total EHRIS cost. DHS will request appropriation and revenue allocations in subsequent fiscal years through the budget process as necessary in accordance with the EHRIS total cost and revenue implementation plan for each respective fiscal year.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Not applicable.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

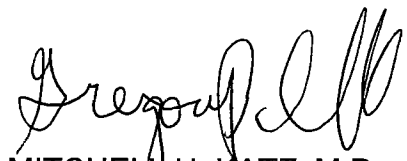
Approval of the recommendation will enable DHS to commence with implementation of a centralized, standardized, enterprise-wide EHRIS, which will ensure that patients who seek services at any location within DHS will receive consistent care, supported by the same EHRIS across the entire care continuum.

CONCLUSION

Please return one adopted copy of this Board letter to the Chief Executive Office, Capital Projects Division; and to the Department of Health Services.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer



MITCHELL H. KATZ, M.D.
Director, Department of Health Services

WTF:MHK:RLR
DJT:SW:PB:zu

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Treasurer and Tax Collector

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES DECLARING ITS INTENTION TO REIMBURSE CERTAIN CAPITAL EXPENDITURES FROM THE PROCEEDS OF TAXABLE OR TAX-EXEMPT OBLIGATIONS

(Electronic Health Record Information System)

WHEREAS, from time to time the County of Los Angeles, (the "County") expects to incur and pay certain expenditures (the "Expenditures") for an electronic health record information system which provides County health providers computer access to patient record information using a single, unified data structure across the County's health services system (the "Project"),; and

WHEREAS, no funds of the County or of any other entity which is a part of the controlled group of which the County is a part (the "Controlled Group") are, or are reasonably expected to be, allocated, reserved, or otherwise set aside in the County's budget or in the Controlled Group's budget, on a long-term basis to pay the costs of the Projects; and

WHEREAS, certain costs of the Projects will initially be paid from amounts temporarily withdrawn from the General Fund of the County of Los Angeles and/or the proceeds of Commercial Paper ("CP") issued by the Los Angeles County Capital Asset Leasing corporation ("LAC-CAL"); and

WHEREAS, expenditures which may be reimbursed with proceeds of tax-exempt obligations are limited to those which are (1) properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under 1.150-2 of the regulations of the United States Department of Treasury under the Internal Revenue Code of 1986, as amended (the "Treasury Regulations"); under general federal income tax

principles; or (2) certain de minimus or preliminary expenditures satisfying the requirements of Treasury Regulation Section 1.150.2(f); and

WHEREAS, the County reasonably expects sometime in the future to issue taxable or tax-exempt bonds, notes, or certificates of participation, or enter into a tax-exempt lease with a third-party lessor ("Obligations") and to use a portion of the proceeds to redeem the CP and reimburse the Expenditures of the Projects which were paid with the proceeds of the CP; and

WHEREAS, the Treasury regulations require that costs of the Projects must be reimbursed not later than 18 months after the capital expenditures are paid or 18 months after the Projects are placed in service, whichever is later; and

WHEREAS, upon the issuance of Obligations, the County will:

(1) evidence the reimbursement allocation with an entry in the books or records which it maintains with respect to the Obligations, (2) identify in such entry the actual prior expenditure being reimbursed or the fund from which the expenditure was paid, and (3) be relieved of any restrictions under the relevant legal documents and applicable state law with respect to the amount received as reimbursement as a result of the reimbursement allocation; and

WHEREAS, this Resolution will be reasonably available for public inspection within a reasonable period of time after its date of adoption and in the manner governing the public availability of records of other official acts of the County Board of Supervisors; and

WHEREAS, this Resolution is intended to be a "declaration of official intent" in accordance with Treasury Regulation Section 1.150-2;

NOW. THEREFORE, this Board does find, resolve, determine and order in accordance with Treasury Regulation Section 1.150-2 of the Treasury Regulations, the County declares its intention to issue Obligations to finance the Projects in an amount not to exceed $359,000,000, a portion of

the proceeds of which may be used to reimburse the County for capital expenditures paid for the Projects prior to the issuance of said Obligations.

The foregoing resolution was on the _____ day of December, 2012 adopted by the Board of Supervisors of the County of Los Angeles and *ex-officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

SACHI A. HAMAI, Executive Officer,
Board of Supervisors of the County
of Los Angeles

By _____
Deputy

APPROVED AS TO FORM:

JOHN F. KRATTLI
COUNTY COUNSEL

By _____
Principal Deputy County Counsel

PINK (1)

BA FORM 09/09

BOARD OF SUPERVISORS OFFICIAL COPY

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPT'S. NO. 060

DEPARTMENT OF CHIEF EXECUTIVE OFFICE

December 4, 2012

AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2012-13

4 - VOTES

SOURCES	USES
BA DETAIL - SEE ATTACHMENT	BA DETAIL - SEE ATTACHMENT

SOURCES TOTAL: $ 78,066,000

USES TOTAL: $ 78,066,000

JUSTIFICATION

This adjustment is necessary to increase revenue from Commercial Paper proceeds in the amount of $67,870,000 and corresponding appropriation authority of $59,618,000 in Services and Supplies in the EHRIS capital project special fund and increase Salaries and Employee Benefits by $5,833,000 and Services and Supplies by $4,363,000 in the DHS EHRIS budget unit in order to fund the costs of first fiscal year of the total EHRIS cost

AUTHORIZED SIGNATURE SABRA WHITE, MANAGER

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)

REFERRED TO THE CHIEF EXECUTIVE OFFICER FOR --

- [ ] ACTION
- [x] RECOMMENDATION

- [x] APPROVED AS REQUESTED
- [ ] APPROVED AS REVISED

AUDITOR-CONTROLLER BY Karen Shikuma

B.A. NO. 055 Dec 6 20 12

CHIEF EXECUTIVE OFFICER BY [signature]

December 6 20 12

SEND 6 COPIES TO THE AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
BUDGET ADJUSTMENT
FISCAL YEAR 2012-13
4-VOTES

SOURCES		USES	
Electronic Health Record Information System (EHRIS) Fund J16 - HE - 96 - 9876 - 50106 Commercial Paper Proceeds Increase Revenue	$ 67,870,000	Electronic Health Record Information System (EHRIS) Fund J16 - HE - 2000 - 50106 Services and Supplies Increase Appropriation	$ 59,618,000
		Electronic Health Record Information System (EHRIS) Fund J16 - HE - 6100 - 50106 Other Financing Uses Increase Appropriation	$ 8,252,000
Health Services-Electronic Health Record Information System A01 - HS - 96 - 991A - 19976 Operating Transfers In-CPP Increase Revenue	$ 8,252,000	Health Services-Electronic Health Record Information System A01 - HS - 1000 - 19976 Salaries and Employee Benefits Increase Appropriation	$ 5,833,000
Health Services Administration A01 - HS - 1000 - 20000 Salaries and Employee Benefits Decrease Appropriation	$ 1,944,000	Health Services-Electronic Health Record Information System A01 - HS - 2000 - 19976 Services and Supplies Increase Appropriation	$ 4,363,000
TOTAL SOURCES	**$ 78,066,000**	**TOTAL USES**	**$ 78,066,000**

BA# 055 K Shiluona 12/6/12