



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

June 13, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

REPORT ON POTENTIAL USE OF TOBACCO SETTLEMENT FUNDS FOR THE PUBLIC PRIVATE PARTNERSHIP PROGRAM (ITEM NO.13, AGENDA OF JUNE 16, 2008)

On April 22, 2008, on motion by Supervisor Molina, as amended by Supervisor Yaroslavsky, your Board instructed the Chief Executive Office to: 1) report back at the June Budget Deliberations on the prospect of redirecting \$40 million of the \$44.8 million in Tobacco Settlement funds that are in the Department of Health Services (DHS) 2008-09 Proposed Budget to the Public Private Partnership (PPP) contracts to be implemented as part of a multi-year expansion project over the next three to five years; 2) report back on the potential utilization of the \$4.8 million out of the remaining Tobacco Settlement funds to be earmarked for one-time capital infrastructure for the Los Angeles County PPPs; and 3) with the Director of Health Services, report as to how the funds could be invested to enhance the County's PPP network.

This memorandum provides a status of our efforts to identify Tobacco Settlement funds which may be redirected for this purpose and a time-line for presenting our recommendations to your Board.

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As we have advised your offices in our recent Agenda Review meeting discussions on the 2008-09 DHS Budget, the Final Changes recommendations have reduced the need for one-time Tobacco Settlement funds by \$3.2 million. These funds have been retained in the DHS Health Services Administration Budget for potential use for one-time capital infrastructure for the PPP program, pending further action by your Board.

In addition, CEO staff has focused efforts on working with DHS to identify additional areas of efficiencies and cost savings which will mitigate the projected deficit in 2008-09 and further reduce the need for the one-time Tobacco Settlement funds. This has included convening a DHS-wide meeting with HSA and facility executive managers to engage all areas of the Department in this effort. We anticipate finalizing those proposals, including estimates of potential savings, over the next few weeks. We will provide a separate report to your Board on these efforts in mid-July.

We believe the prospects of reducing the use of the one-time Tobacco Settlement funds are good; however, we are committed to ensuring, to the extent possible, that additional savings can indeed be generated in order to accomplish this.

Therefore, we are requesting that consideration of the proposed redirection and use of the funds not be made now, but be extended to August 2008, in advance of the Supplemental Changes phase of the budget process. This timeframe will allow us to complete the review with DHS of the additional efficiencies and cost savings proposals, including discussions with your offices about those proposals, and to analyze the 2007-08 year-end costs and revenue amounts for DHS to better refine the 2008-09 DHS budget needs. It is also possible that we may have a better understanding by then of the potential impact of State Budget actions on DHS.

In terms of developing options for a multi-year expansion program, DHS and CEO have developed initial guidelines for considering the use of one-time Tobacco Settlement funds for this on-going program. During this period, in addition to working with DHS and your offices on the efficiencies and cost savings proposals, we will schedule meetings of the Allocation Methodology Working Group to discuss options for how these funds can best be invested to enhance the PPP program over a three to five year period. In our discussions, we will incorporate the Community Clinics Association of Los Angeles County's report, which is currently being developed, regarding service capacity in not only the underserved Service Planning Areas (SPAs) but all SPAs. These meetings will enable DHS and CEO to hear from the PPP providers themselves on options they believe might best enhance the County's health care system. Once again, we anticipate returning to your Board in August with our recommendations.

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If you have questions or need additional information, please contact me, or your staff may contact Sheila Shima, Deputy CEO, Health and Mental Health, at (213) 974-1160.

WTF:SRH:SAS
MLM:JT:yb

c: Executive Officer, Board of Supervisors
County Counsel
Interim Director of Health Services
Interim Chief Medical Officer, DHS

PPP and Tobacco Settlement