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

April 19, 2011

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

Dear Supervisors:

FISCAL YEAR 2011-12 RECOMMENDED COUNTY BUDGET
(3-VOTES)

The Fiscal Year (FY) 2011-12 County of Los Angeles Recommended Budget total of $23.303 billion reflects a decrease of $941.8 million in total requirements. General County funds, including the General Fund and Hospital Enterprise Funds ($18.019 billion) reflect a net decrease of $488.7 million. Special District/Special Funds reflect a decrease of $453.1 million.

TOTAL REQUIREMENTS – ALL FUNDS – 2011-12
(Billions of Dollars)

Fund	2010-11 Budget	2011-12 Recommended	Change	% Change
Total General County	$18.508	$18.019	$(0.489)	-2.6%
Special Districts/Special Funds	5.737	5.284	(0.453)	-7.9%
Total Budget	$24.245	$23.303	$(0.942)	-3.9%
Budgeted Positions	101,296	101,039	(257)	-0.3%

BUDGET ECONOMIC OUTLOOK

The nation continues to struggle with the far reaching effects of the recession. The recession, which began in December 2007 and ended in June 2009, was the longest post World War II recession lasting eighteen months. The root causes of the recession, the troubles in the real estate and financial sectors, continue to hamper employment growth and consumer spending. Unemployment rates for the County increased to 13.1 percent in January 2011, up from 12.4 percent in February 2010. County sales tax revenues, which peaked in 2006-07, are down by 15 percent when compared to taxable sales we project to collect in FY 2010-11.

The mainstream view for the near-term outlook for the nation and California shows slow growth for the remainder of 2011 with recovery beginning in the State's coastal regions first. Unfortunately, most economists continue to forecast high unemployment rates through at least the end of 2011, then dropping slightly in 2012.

BUDGET OVERVIEW

The lingering effects of the recession have again shaped the County's Recommended Budget. Last year the County faced a projected $500.0 million net County cost (NCC) budget gap. The gap was closed through a combination of ongoing departmental curtailments and revenue solutions along with one-time funding from County reserves, efficiency savings and reductions in the County's capital program. This year we face a NCC budget gap estimated to be $220.9 million. The primary drivers of the budget gap are outlined below.

2010-11 One-Time Budget Solution Strategy

In order to manage our budget during the recession and its aftermath, the County has employed a balanced approach of curtailing departmental budgets, achieving savings through efficiencies, and using reserves and capital funding to achieve a balanced budget. Had the County relied solely on departmental curtailments, the impact to County services and its residents would have been much more draconian and most likely would have resulted in the reduction of critical services and the layoff of a large number of County employees. This would have surely put an even greater strain on an already fragile local economy. We believe that the effects of the recession on our budget (i.e., declines in revenues and increases in assistance caseloads) are a cyclical consequence of the recession. Since we believe that revenues and caseload will not return to pre-recessionary levels in the short-term, we have over the last four years made structural changes to the budget through departmental curtailments in excess of $400.0 million. These measured actions, along with the use of one-time funding sources, have allowed us to more strategically achieve a balanced budget by

maintaining sustainable core services. While we firmly believe that over time revenues will increase and caseloads will drop as the local economy improves, we have sought to avoid wholesale cuts to department budgets, and we will continue to conservatively use one-time funding solutions to bridge us forward.

Expiration of Federal Stimulus Funding

The American Recovery and Reinvestment Act of 2009 (ARRA), among other things, temporarily increased the Federal Medical Assistance Percentage (FMAP), which is the federal match rate for non-administrative costs. The FMAP change temporarily decreased the County's contribution to the In-Home Supportive Services (IHSS) program. A change in the FMAP percentage also affected other County administered programs. Now that the increase in the FMAP federal match will end in June 2011, the County's share of the IHSS program will increase by $63.9 million. However, in the recently enacted State Budget, which was signed into law by the Governor on March 24, 2011, the County could realize approximately $50.0 million in savings from IHSS program reductions. We strongly recommend that we use this savings to supplement County reserves.

Unavoidable Cost Increase

The primary drivers of unavoidable cost increases are increases in the pension costs and health insurance costs. The County's retirement contribution rates will increase by almost fifteen percent (15%) primarily due to the losses sustained by the Los Angeles County Employees Retirement Association (LACERA) in FY 2008-09 from the worldwide financial crisis. The investment losses suffered by LACERA created an unfunded actuarial accrued liability of $7.8 billion as of June 30, 2010. Under California county retirement law, liabilities not funded through member contributions are the responsibility of the employer. LACERA's funding policy calls for asset gains and losses to be smoothed over a five-year period, and the unfunded portion of the liability to be amortized over thirty years. It is important to note, however, that LACERA's investment portfolio is showing positive signs. In FY 2009-10, the pension fund grew by 11.6 percent, which exceeded their 7.75 percent investment assumption. During the first seven (7) months of the current fiscal year, further positive growth in excess of the assumed rate of return has been achieved. In addition, increases in health insurance premiums for County employees of roughly seven percent (7%) are also a contributing factor effecting unavoidable cost increases.

Assistance Caseload Increases

The high unemployment rate has caused many to seek public assistance from the County. This in turn caused assistance caseloads and costs to dramatically increase since 2006-07. The cost of providing general relief (GR) assistance is particularly acute, since the County bears the entire cost of providing this assistance.

Fiscal Year	Average GR Caseload	
2006-07	58,599	
2007-08	62,897	
2008-09	74,763	
2009-10	91,499	
2010-11	106,894	(Estimated)
2011-12	114,440	(Projected)

For 2010-11, we estimate that GR caseloads will average almost 107,000 per month and continue to grow into next year and average just over 114,000 per month in 2011-12. As one can see, since 2006-07, when GR caseload averaged just over 58,000 per month, the caseload will have almost doubled. Consistent with economic forecasts of unemployment, our budget assumes that GR caseloads will peak in December 2011 and gradually decline ending 2011-12 with caseload of 112,000.

Revenue Increases

As the economy begins to stabilize and improve, we are forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues.

After two (2) years of declines in assessed valuation, the Assessor now is projecting an overall increase in assessed property valuation. At this time for FY 2011-12, the Assessor is forecasting a 0.7 percent increase in assessed property valuation, which translates to $27.9 million in additional property taxes. Since the Assessor's forecast is preliminary and is scheduled to release updated forecasts in May 2011 and a final assessment roll forecast in July 2011, our office will continue to monitor and update our property tax projection accordingly.

For the first time since 2006-07, we are starting to see a year-over-year increase in Proposition 172 Sales Tax and Realignment Sales Tax. Based upon this increase and survey of local economic forecasts, we have assumed a five percent (5%) growth factor in all our sales tax projections for the 2011-12 Recommended Budget. In addition, we are forecasting a three percent (3%) increase from the current-year estimate in Vehicle License Fees (VLF) - Realignment. Like property taxes, we will continue to monitor these revenue sources and update our projections accordingly.

Retirement of Pension Obligation Bonds

In October 1994, the County issued pension obligation bonds to finance an unfunded actuarial accrued liability in the County's pension system. Since 2010-11 marks the final year of debt service on the bonds, the County can now redirect $106.6 million in NCC dollars (overall savings of $372.1 million) to help address some of the budget issues the County faces from the affects of the recession. In addition, other non-General Fund County departments will also share in this debt retirement savings and can be used to mitigate other cost increases. We estimate this savings to those departments to be $141.5 million.

Labor-Management Savings

On December 7, 2010, your Board approved amendments to County labor agreements that among other things, partially suspended the County's deferred compensation plans to reduce the County contributions for 2010-11 and 2011-12. This change to employee benefits creates an estimated savings of $104.7 million and translates into a $42.1 million NCC savings. In addition, other non-General Fund County departments will also share in this cost reduction and can be used to mitigate other cost increases. We estimate this savings to those departments to be $33.6 million. We commend our partners in labor for their contribution in helping the County during these difficult economic times.

All of these changes to the budget are projected to create a $220.9 million General Fund net County cost (NCC) budget gap. NCC is the portion of our budget that is financed with County discretionary funding (also known as locally generated revenues). Below are the major components of the 2011-12 NCC Budget Gap:

2011-12 NCC Budget Gap

2010-11 One-Time Budget Solutions	$(262.0) million
Expiration of Federal Stimulus Funding	(63.9) million
Unavoidable Cost Increases	(89.0) million
Assistance Caseload Changes	(32.7) million
Revenue Increases	78.0 million
Retirement of Pension Obligation Bonds	106.6 million
Labor-Management Savings	42.1 million
Total Budget Gap	$ (220.9) million

To close this budget gap, we are recommending a combination of ongoing and one-time budget solutions.

2011-12 NCC Budget Gap Solutions

Ongoing Curtailments/Consolidations	$ 35.7 million
One-Time Bridge Funding	185.2 million
Budget Gap Solutions	$220.9 million

Departmental Budget Reductions/Consolidations

The 2011-12 marks the fourth consecutive year of departmental budget curtailments, which as illustrated below has totaled over $400.0 million in funding reductions.

Budget Year	NCC Curtailment
2008-09	$ 33.0 million
2009-10	162.9 million
2010-11	175.0 million
2011-12	35.1 million
Total	$406.1 million

Throughout this period, many departments have lost over twenty percent (20%) of their NCC budget, while some departments' curtailments have been as high as thirty-eight percent (38%). Over this same period, departments have sustained on average seventeen percent (17%) in curtailments, while 2,735 budgeted positions have been eliminated countywide. This is a significant structural change and improvement to the budget and has well positioned the County going forward. The leadership of your Board, County managers, and the hard work of staff has allowed for the continuation of critical services to County residents despite these challenging times.

Each County department was asked to submit a 2011-12 Recommended Budget that included a seven-percent (7%) NCC reduction. After reviewing departmental submissions of the NCC reduction exercise and analyzing the potential impact, plus considering the history of curtailments that departments have endured, our office selectively reduced most curtailments downward.

Listed below are some of the material curtailments that are included in our Recommended Budget.

- The Sheriff's Department reflects a $15.0 million reduction in their services and supplies budget, which reflects a 1.3 percent reduction in the Sheriff's NCC budget.

- The Department of Public Social Services' administrative budget reflects a $5.1 million reduction in the department's NCC budget, which equates to a 7.0 percent cut. The curtailment is primarily to the Department's services and supplies appropriation.

- The Department of Parks and Recreation's budget reflects a $2.6 million reduction that translates to a 3.3 percent reduction in County funding for the Department. The reduction eliminates 39 vacant budgeted positions.

- The District Attorney's budget reflects a $2.0 million reduction and the elimination of 19 vacant budgeted positions. This adjustment reflects a 1.1 percent reduction in the District Attorney's NCC budget.

- The Department of Children and Family Services' administrative budget reflects a budget reduction of $2.0 million primarily to the Department's services and supplies budget. This budget cutback reflects a 4.1 percent reduction in County funding.

- The Assessor's budget reflects a $1.9 million reduction and the elimination of 10 budgeted positions for temporary employees. These cuts account for a 2.5 percent reduction in County funding for the Department. The reductions primarily impact services, supplies and equipment.

Consolidations and Efficiencies

Although the County's budget gap is too large to be balanced exclusively with consolidations and efficiencies, our office continues to explore both areas as a means to generate ongoing and one-time savings while improving operations.

We have identified opportunities where consolidation can be achieved to optimize organizational efficiencies. Our office is recommending that the Department of Consumer Affairs (DCA) be merged with the Department of Community and Senior Services. In addition, we are recommending that the Office of Affirmative Action Compliance (OAAC) be consolidated within the Department of Human Resources. This consolidation also includes portions of OAAC merging with the Internal Services Department and the Chief Executive Office. The mergers, which will result in savings of $0.5 million and the reduction of 14 budgeted positions (10 positions from OAAC and four (4) positions from DCA), will afford these newly configured units with greater access to resources, through allocation of services at community service centers, and continue to provide the public and County employees with more efficient and effective services. While our Recommended Budget includes the consolidation of the DCA, we recognize some of your offices have concerns with this change. Over the coming weeks, we will continue to work with your offices to address your concerns.

With the support of your Board, our office has placed a high emphasis on both countywide and departmental efficiencies over the last three (3) years with efficiency initiatives in the areas of pharmacy cost savings, energy savings projects, review of telephone line usage and various information technology initiatives. Countywide these initiative projects have resulted in $155.0 million in savings through September 2010, and we estimate savings of $163.0 million by the end of the current fiscal year.

Critical Departmental Funding Issues

As a result of projected budget gaps in the operations of the following departments, we are not recommending any reduction in County funding. A more detailed discussion of the issues facing these departments is outlined below.

- **Health Services** – The Department's Recommended Budget contains a $312.7 million placeholder reduction. The Department plans to address the deficit primarily with additional 1115 Waiver revenue and other cost-cutting measures.

- **Mental Health** – The Department's Recommended Budget reflects a $14.7 million placeholder reduction in services and supplies to close its projected budget gap. The Department will collaborate with stakeholders and community partners to develop a curtailment plan for restructuring the mental health service delivery system to achieve these savings.

- **Public Health** – Since 2005-06, the Department of Public Health has faced an $85.7 million reduction in federal, State and County funding along with the elimination of over 300 budgeted positions. Today the Department faces an $18.2 million budget gap. The Department's budget submission to the Chief Executive Officer included $9.9 million in curtailments, $1.0 million in cost-cutting savings, $2.9 million in new revenue solutions, and a $4.4 million placeholder reduction. At this time, our office is recommending the $1.0 million in cost cutting savings along with $2.9 million in new revenues, and a placeholder reduction of $14.3 million to the Department's services and supplies budget. Over the next weeks, the Chief Executive Officer, along with the Department of Public Health, will work with your offices to develop a plan to close this gap while maintaining core public health mandates. This plan will be available for your consideration in time for June Budget Deliberations.

- **Probation Department** - The Department faces a structural imbalance of approximately $35.0 million. A majority of this problem is rooted in a projected shortfall in VLF revenue, which is used by the State to fund the probation camps and provide grants for juvenile services under the Juvenile Justice Crime Prevention Act. A significant portion of the remaining structural problem is attributable to unavoidable cost increases and the over expenditure from staff over-hires at the County juvenile halls.

  The Chief Executive Officer, along with the Probation Department, has already started a dialogue with your offices and other stakeholders in the juvenile justice system regarding plans to address these issues. We intend to have a final plan in place for your consideration in time for Budget Deliberations in June.

<u>One-Time Bridge Funding</u>

Over the past decade, the County was able to set aside funds for capital projects and for a "rainy day" reserve. One generally accepted use of a rainy day fund is to protect against reducing service levels due to temporary revenue shortfalls. Since it appears that we have weathered the worst of the economic crisis and the economy is growing slowly, we believe that it is fiscally responsible to utilize some one-time funding sources and modifying the financial structure of the County's capital program to help bridge our budget gap. It is important to note that neither the Reserve for Rainy Day Fund

($93.2 million) nor the Provisional Financing Uses-Economic Reserve ($82.9 million) were used to close this year's budget gap. These reserves remain intact and available to address future uncertainties, help meet daily cash flow needs, and preserve our credit ratings.

We must also keep in mind that once the County's budget situation improves, we must do whatever is necessary to replenish and grow these reserves. If the County's revenue situation improves in the coming months, we would likely recommend that this increase be used to supplement County reserves. County budget policy requires a ten percent (10%) reserve of locally generated revenues be set aside in the Reserve for Rainy Day Fund.

OTHER FUNDING RECOMMENDATIONS

Listed below are some important budget recommendations included in the 2011-12 Recommended Budget.

- **Public Works' Road Fund –** The fund's budget reflects a $165.3 million reduction in appropriation and financing primarily due to a $30.0 million ongoing revenue decrease attributable to the July 2010 State gas tax swap and the deletion of $143.1 million reduction in one-time funding related to the reimbursement for unincorporated County road projects ($34.0 million), State Transportation Infrastructure Bond-Proposition 1B funding ($85.0 million) and federal stimulus funding of $24.1 million. These funding decreases are partially offset by a $4.2 million increase in Traffic Congestion Management program funding.

- **Emergency Contingency Funds (ECF)** – The Department of Public Social Services Administrative budget reflects a $104.0 million reduction in appropriation and federal Temporary Assistance for Needy Families (TANF) ECF revenues. The funding for this program, which provides transitional subsidized employment, short-term non-recurrent and basic assistance, expired in September 2010.

- **Employment and Training** – Reflects a $15.0 million reduction in appropriation and federal funding in the Department of Community and Senior Services' budget due to the elimination of federal stimulus funding that provided employment and training services.

- **Emergency Preparedness and Response** - Reflects appropriation and revenue increases of $25.4 million in various federal and State disaster grants.

- **Sheriff's Department** – Reflects $7.2 million in one-time funding for closed-circuit television (CCTV) to complete phase II and III of the installation of CCTV's at Men's Central Jail. The funding increase will enhance jail security and allow for video documentation of significant incidents.

- **Public Library** – Reflects a $4.2 million reduction in appropriation and revenue associated with the City of Santa Clarita withdrawing from the County's Public Library System. This decrease is partially offset by a $1.2 million increase in appropriation and revenue due to expanded services at the West Hollywood Library based on negotiated city-county agreements.

Other Post Employment Benefits (OPEB)

The County retiree health care benefits (also known as OPEB) are currently funded on a pay-as-you-go basis and not a pre-funded basis, like retirement costs. This pay-as-you-go approach has led to the accumulation of a financial liability. This liability, which must now be quantified under governmental accounting rules, is estimated to be $22.9 billion. The County, working with labor, is in the final stages of establishing an OPEB trust fund with the LACERA. The OPEB trust fund would serve as the vehicle to begin pre-funding retiree health care benefits and reduce our financial liability. The County set aside $11.8 million in a reserve for these future costs, in addition to a projected balance in excess of $400.0 million from pension fund surplus earnings. We will submit a request to your Board to move these funds in to the OPEB trust fund in the Final Budget.

We will return to your Board later in the fiscal year with a policy for your consideration that proposes that any excess premiums reserves associated with the retiree health care program be transferred to the OPEB trust fund. Such a transfer would help reduce the OPEB liability. Your board recently approved actions that will strengthen our ability to address this critical issue. CEO staff will be working with LACERA and labor over the next few months and we will report back to your Board on our progress.

POTENTIAL STATE/FEDERAL BUDGET IMPACTS

State Budget

In January 2011, the Governor released his 2011-12 Proposed State Budget that addresses a projected $26.6 billion budget gap. The Governor's budget closes the gap with $12.5 billion in cuts, $11.2 billion in revenue extensions and $2.9 billion in fund transfers. The Governor's budget also proposes a vast and historic restructure of government operations through the realignment of programs from the State to the local governments. The impact of the Governor's budget to the County was estimated to be approximately $450.8 million. The impact was detailed in separate correspondence to your Board.

On March 24, 2011, Governor Brown signed 13 budget trailer bills to address an estimated $11.2 billion of the State's $26.6 billion deficit, which included $8.2 billion in expenditure reductions primarily to health and social services programs. Our office estimates the impact of these cuts to be approximately $366.4 million to the County in 2011-12. The major elements of the cuts would reduce Medi-Cal, redirect Mental Health Services Act Funds, reduce CalWORKS grants and provide program reductions to the IHSS program. Most of the State Budget actions will result in funding reductions to County-administered health and social services programs; however, the County could realize NCC savings of approximately $50.0 million from IHSS program reductions

The revenue solutions of the State budget calls for a special election in June where voters will be asked to approve the continuation of $11.2 billion personal income and sales taxes, as well as the current VLF rate, for five years. The Governor proposes that revenue from the sales tax and the VLF be transferred directly to local governments to finance the first phase of his realignment plan.

Since the State budget situation continues to unfold and remains fluid, we are deferring recommendations to align the County budget with actions by the Governor and the Legislature until later phases of the State Budget process when their situation becomes clearer. Consequently, we strongly recommend that we do not appropriate any potential savings until the State Budget is finalized. If these savings do occur, we would recommend that the savings be used to supplement County reserves.

Federal Budget

On February 14, 2011, President Obama released his proposed $3.7 trillion budget for Federal Fiscal Year (FFY) 2012, which will begin on October 1, 2011. As estimated by the Office of Management and Budget, the federal budget deficit will drop from $1.6 trillion in FFY 2011 to $1.1 trillion in FFY 2012. The President proposes to freeze overall non-security discretionary spending over the next five years, and does not propose significant net reductions in entitlement (mandatory) spending, such as Medicaid, Title IV-E Foster Care and Adoption Assistance, TANF, and Child Support Enforcement, which account for most of the federal revenue received by the County.

The federal budget outlook is unclear since there are major differences on budget issues between the two parties. These differences are so great that none of the 12 FFY 2011 appropriations bills had been enacted as of April 1, 2011, which is halfway through FFY 2011. While both parties believe that the federal budget deficit should be significantly reduced, there is not any consensus on how (and how quickly) the budget deficit should be reduced. Historically, federal programs are funded at or near their prior-year levels when there is "gridlock" in Washington, D.C. In addition, when major changes are enacted in federal legislation, there typically is a delayed effective date. This means that most of the impact of federal budget legislation enacted later in this calendar year is unlikely to be felt by the County until after 2011-12.

CAPITAL PROJECTS/EXTRAORDINARY MAINTENANCE PROGRAMS

Capital Projects

The 2011-12 Recommended Capital Projects/Refurbishments Budget appropriates $1.1 billion for continued development, design, and construction of projects that address high priority health, public safety, recreation, and infrastructure needs. The recommended appropriation reflects a decrease of $343.3 million from the 2010-11 Final Adopted Budget, due to the completion of 40 projects in 2010-11, the transfer of funds to supplement the County's 2011-12 Recommended Budget, and the issuance of bonds to finance certain projects. The recommended 2011-12 appropriation is highlighted by the following:

- Public protection facilities, such as the construction of new housing for females at Pitchess Detention Center, new construction at the Biscailuz Center Training Academy, construction of new fire stations in the Santa Clarita Valley, implementation of fire station privacy and access improvements, security improvements at Probation juvenile halls and camps, and construction of a new animal shelter in the east Antelope Valley;

- Recreational facilities including construction of swimming pool facilities, athletic fields, and gymnasiums at County parks, and facility refurbishments at County beaches;

- General government facilities highlighted by the construction of a new countywide data center in Downey;

- Health, public health, and mental health facilities, including build-out of a community hospital and construction of a new multi-service ambulatory care center at the Martin Luther King, Jr. medical campus, construction of a mental health outpatient clinic at Harbor-UCLA Medical Center, construction of a new public health center in South Los Angeles, and construction of new surgery and emergency suites at Harbor-UCLA Medical Center;

- Construction of new or replacement libraries in the unincorporated area of Stevenson Ranch, the San Gabriel Valley, Diamond Bar, and East Rancho Dominguez, and refurbishment of the historic Patriotic Hall; and

- High priority infrastructure improvements in the County's roads, flood control and aviation facilities, soil and groundwater investigation and remediation activities, beautification of the County's Eastern Hill complex and watershed testing efforts.

Sustainable Design Program

In January 2007, the Board of Supervisors approved the establishment of the Sustainable Design Program as a component of the County's Energy and Environmental Policy. The purpose of the program is to support the County's goal of a twenty-percent (20%) reduction in its facility's energy and resource consumption by the year 2015 through the integration of sustainable, "green building" technologies into the designs of the County's capital improvement and refurbishment projects.

The 2011-12 Recommended Capital Projects/Refurbishments Budget reflects the County's continued commitment to the ideal of sustainability, with the incorporation of sustainable design technologies into 135, or 46.3 percent of the County's 292 active building or refurbishment related projects (projects related to land acquisition or non-structural in nature have been excluded from this count). In 2011-12, Leadership in Energy and Environmental Design (LEED) certification is being pursued on 21 projects, including 19 that are expected to be certified at a level of Silver, and one at a Gold level.

Of the 135 County projects that incorporate sustainable design elements, 80 projects utilize designs and technologies that will reduce energy consumption. Water efficiency technologies are integrated into the building designs of 57 projects, while drought tolerant landscaping or xeriscaping (no irrigation) is incorporated into 72 projects. Measures to reduce storm water runoff and to treat waste water are applied in 65 projects. Priority has also been placed on the introduction of solar power generation, which is incorporated into 14 projects. In addition, 35 projects will include use of recycled building materials, and 116 projects incorporate energy efficient design measures.

On August 10, 2010, the Board of Supervisors approved two renewable energy programs that will be funded with $39.0 million of Qualified Energy Conservation Bonds authorized under the American Recovery and Reinvestment Act of 2009. The High Desert Complex Solar Farm Project involves the design and installation of a 2 megawatt solar power system to service County-owned facilities in the City of Lancaster. The solar roof program includes the installation of photovoltaic panels onto the roofs of nine County-owned facilities resulting in the production of approximately 4.5 megawatts of electricity.

Extraordinary Maintenance

The County's infrastructure requires ongoing investment to meet performance requirements and expectations. The 2010-11 Final Adopted Budget appropriated funds for critical repairs at County beaches, parks, probation facilities and for various roof repairs throughout the County. On September 28, 2010, the Board of Supervisors approved $59.9 million for a Deferred Maintenance Program to address critical repairs and maintenance at public health centers, community and senior centers, County cultural institutions, and County waste water treatment facilities. The 2011-12 Recommended Budget appropriates $131.4 million for these and other high priority repairs, maintenance and accessibility modification needs at County facilities, including juvenile halls, health centers, and animal shelters.

BUDGET TIMETABLE

Approved schedule for budget hearings and deliberation is as follows:

Board Action	Approval Date
Adopt Recommended Budget; Order Printing, Notice and Distribution; and Schedule Hearings	April 19, 2011
Commence Public Budget Hearings	May 11, 2011
Commence Final Budget Deliberations and Adopt Budget Upon Conclusion	June 20, 2011

Prior to deliberations on the FY 2011-12 Adopted Budget, we will file reports on:

- May revisions to the Governor's Budget and updates on other FY 2011-12 State and federal budget legislation and the impact on the County's Recommended Budget;

- Final revisions reflecting the latest estimates of requirements and available funds;

- Issues raised in public hearings or written testimony;

- Specific matters with potential fiscal impact; and

- Issues as instructed by your Board.

APPROVAL OF RECOMMENDED BUDGET

The matter before your Board is the adoption of the Recommended Budget.

- The documents must be available for consideration by the public at least 10 days prior to the commencement of public budget hearings.

- Adjustments to the budget, including revisions to reflect your Board's funding priorities and State and federal budget actions, can be made during budget deliberations, prior to adoption of the Budget.

- Pursuant to State law, your Board may make changes to the Recommended Budget with a simple majority (3 votes) until adoption of the Budget, if changes are based on the permanent record developed during public hearings (e.g., Recommended Budget, budget requests and all written and oral input by Supervisors, County staff and the public).

- Changes not based on the "permanent record" require 4/5 vote.

THEREFORE, IT IS RECOMMENDED THAT YOUR BOARD:

1. Order such revisions, additions and changes to the Chief Executive Officer's budget recommendations as deemed necessary and approve the revised figures as the Recommended Budget for FY 2011-12; order the publication of the necessary notices; and set May 11, 2011 as the date that public budget hearings will begin.

2. Approve discounted prepayment on the County's retirement contribution, if it is within the County economic interest to do so, and authorize the Chief Executive Officer to negotiate with LACERA on the County's behalf in this regard.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer