County of Los Angeles

Recommended Budget 2013-14

Submitted to the Board of Supervisors by
William T Fujioka, Chief Executive Officer
and
Wendy L. Watanabe, Auditor-Controller
# 2013-14 Recommended Budget

## $24.699 Billion

### Pie Chart
- **Public Assistance**: $6.169 Billion (25%) (-1.6%)
- **Health**: $7.335 Billion (30%) (-0.2%)
- **Public Protection**: $6.627 Billion (27%) (-0.6%)
- **Recreation & Cultural**: $722 Million (3%) (-1.2%)
- **General**: $2.850 Billion (11%) (-12.5%)
- **Other**: $996 Million (4%) (-23.3%)

### Financial Summary

<table>
<thead>
<tr>
<th>Fund (in Billions)</th>
<th>FY 2012-13 Adopted Budget</th>
<th>FY 2013-14 Recommended Budget</th>
<th>Change From Prior Year</th>
<th>% Change From Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total General County</td>
<td>$19.343</td>
<td>$19.217</td>
<td>($0.126)</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Special Funds/Districts</td>
<td>6.035</td>
<td>5.482</td>
<td>(0.553)</td>
<td>-9.2%</td>
</tr>
<tr>
<td><strong>Total Budget</strong></td>
<td>$25.378</td>
<td>$24.699</td>
<td>($0.679)</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Budgeted Positions</td>
<td>103,054</td>
<td>103,148</td>
<td>94</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

*Does not include all year-end fund balances.*

Figures in parentheses on the pie chart denote percentage change from previous year.
Stabilizing the Budget

Maintaining Reserves

Addressing Structural Deficits in Departments

Providing Strong Foundations as We Move Forward
The current economic outlook for the nation and California indicate moderate growth for the remainder of 2013 and continuing into 2014. This positive economic growth has been driven by improvements in the housing market and the continued downward trend in unemployment. The housing market recovery began in early 2012, aided by historically low-interest rates and a decline in foreclosure activity. The turnaround in the housing market gained momentum towards the end of 2012 into 2013 and is expected to continue. Improvements in the housing market and the continued downward trend in unemployment have strengthened consumer confidence and increased consumer spending. As a result, we have experienced positive gains in retail sales and sales tax revenues led by increased sales of autos, gasoline, and construction materials.

The labor market is slowly improving as businesses begin to rebound, contributing to a decline in unemployment rates; however, unemployment rates in Los Angeles County remain at historically high levels.

<table>
<thead>
<tr>
<th>Month</th>
<th>Unemployment Rate</th>
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<tbody>
<tr>
<td>January 2012</td>
<td>11.6%</td>
</tr>
<tr>
<td>November 2012</td>
<td>10.4%</td>
</tr>
<tr>
<td>December 2012</td>
<td>10.3%</td>
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<tr>
<td>January 2013</td>
<td>10.4%</td>
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</tbody>
</table>

The economic outlook, although positive, continues to face challenges and uncertainties. The impact of health care reform, sequestration, and the federal government’s long-term fiscal imbalance remain to be seen. In addition, low housing inventory and tighter lending standards can potentially hinder the housing recovery. Nevertheless, economic recovery continues but the critical factor is its sustainability. We will continue to monitor economic indicators, as we move forward, throughout the budget process.
For the first time in four years, the net County cost (NCC) portion of the County’s budget is financed entirely with ongoing revenue sources. As a result of the recent recession, the County experienced a “cyclical” budget deficit. This occurred when the economy went into recession and County revenues declined, while spending on safety net programs and unavoidable costs increased. In order to address these problems, we made several adjustments to the County’s budget including departmental curtailments, the use of one-time funding sources, the elimination of over 2,000 vacant budgeted positions, and various countywide efficiency initiatives.

For the first time in four years, the County does not have to rely on reserves or other one-time funding solutions to balance the budget. The chart below illustrates the progress that has been made in reducing our budget gap during the economic crisis.
The County has made substantial progress in reducing our Budget Gap during this challenging economic period.
Primary Drivers of Budget Changes

No NCC* Budget Gap

✓ Solved 2012-13 One-Time Budget Gap – ($103.6) million

✓ Unavoidable Cost Increases – ($92.4) million

✓ Program Changes – ($56.5) million

✓ Revenue Increases – $218.1 million

✓ Use of Ongoing Funding for One-Time Needs in 2012-13 – $34.4 million

*Net County Cost (NCC) is the portion of the County budget that is financed with locally generated revenues.
Over the last five years through the leadership of the Board of Supervisors, department heads and managers, along with the hard work of our employees and our partnership with County labor unions, we have achieved:

- No Major Service Reductions (Maintained All Critical Services)
- No Layoffs
- No Furloughs
- County Employees Accepted $0 Cost of Living Adjustments
- Preserved the County’s Primary Reserves
## Recommended Budget Overview

<table>
<thead>
<tr>
<th>Public Assistance Program</th>
<th>FY 2012-13 Adopted Budget</th>
<th>FY 2013-14 Recommended Budget</th>
<th>Change from FY 2012-13 Adopted Budget</th>
<th>% Change from FY 2012-13 Adopted Budget</th>
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<tbody>
<tr>
<td><strong>General Relief</strong></td>
<td></td>
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</tr>
<tr>
<td>Caseload (monthly)</td>
<td>101,518</td>
<td>102,117</td>
<td>599</td>
<td>0.6%</td>
</tr>
<tr>
<td>NCC</td>
<td>$243,771,000</td>
<td>$249,818,000</td>
<td>$6,047,000</td>
<td>2.5%</td>
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<tr>
<td><strong>In-Home Supportive Services</strong></td>
<td></td>
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<tr>
<td>Caseload (monthly)</td>
<td>183,540</td>
<td>189,271</td>
<td>5,731</td>
<td>3.1%</td>
</tr>
<tr>
<td>NCC</td>
<td>$325,903,000</td>
<td>$305,346,000</td>
<td>($20,557,000)</td>
<td>-6.3%</td>
</tr>
</tbody>
</table>

IHSS: Beginning FY 2012-13, the County share of IHSS expenditures is based on a Maintenance of Effort (MOE). The FY 2012-13 Adopted Budget does not reflect the MOE and is based on the traditional County sharing ratio (17.5%).
COMPARISON: Los Angeles County
Unemployment Rate and General Relief (GR) Caseload
(Jan 2007 – Jan 2013)

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<tbody>
<tr>
<td>GR Caseload (monthly)</td>
<td>74,763</td>
<td>91,499</td>
<td>106,348</td>
<td>107,877</td>
<td>102,117</td>
<td>102,117</td>
<td>0%</td>
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</table>

GR Benefits = $221/month ($2,652/year)

County of Los Angeles
2013-14 Recommended Budget
## Property Taxes Projection

### Property Taxes (Millions)

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<tbody>
<tr>
<td>Property Taxes (Millions)</td>
<td>$3,667.1</td>
<td>$3,816.3</td>
<td>$3,732.5</td>
<td>$3,711.4</td>
<td>$3,747.5</td>
<td>$3,828.7</td>
<td>$3,939.1</td>
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<tr>
<td>Change from previous year</td>
<td>$149.2</td>
<td>$(83.8)</td>
<td>$(21.1)</td>
<td>$36.1</td>
<td>$81.2</td>
<td>$110.4</td>
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<tr>
<td>% Change from previous year</td>
<td>4.07%</td>
<td>-2.20%</td>
<td>-0.57%</td>
<td>0.97%</td>
<td>2.17%</td>
<td>2.88%</td>
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### Sales Tax Projection

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</thead>
<tbody>
<tr>
<td>Local Sales Tax</td>
<td>$43.0</td>
<td>$38.9</td>
<td>$33.3</td>
<td>$34.2</td>
<td>$38.8</td>
<td>$42.0</td>
<td>$43.7</td>
</tr>
<tr>
<td>Realignment Sales Tax (Social Services Only) *</td>
<td>469.9</td>
<td>417.5</td>
<td>392.9</td>
<td>442.9</td>
<td>512.4</td>
<td>555.3</td>
<td>578.8</td>
</tr>
<tr>
<td>Prop 172 Sales Tax</td>
<td>620.5</td>
<td>548.7</td>
<td>531.7</td>
<td>554.1</td>
<td>607.0</td>
<td>646.9</td>
<td>672.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,133.4</td>
<td>$1,005.1</td>
<td>$957.9</td>
<td>$1,031.2</td>
<td>$1,158.2</td>
<td>$1,244.2</td>
<td>$1,295.3</td>
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**Change from previous year**

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</thead>
<tbody>
<tr>
<td>$</td>
<td>$(128.3)</td>
<td>$(47.2)</td>
<td>$73.3</td>
<td>$127.0</td>
<td>$86.0</td>
<td>$51.1</td>
</tr>
</tbody>
</table>

**% Change from previous year**

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<tbody>
<tr>
<td>-</td>
<td>-11.3%</td>
<td>-4.7%</td>
<td>7.7%</td>
<td>12.3%</td>
<td>7.4%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

* All growth goes to Social Services first until caseload needs are satisfied.
Recognized Financial Stability

- Standard & Poor’s upgraded the County’s long-term credit rating
- All three rating agencies assigned their highest short-term rating to the County for the 16th consecutive year in 2012-13
- The County carries a minimal debt burden
- County’s revenue to debt service ratio is low at 0.9% for 2013-14
- Prop 13 provides a significant amount of stored value that will be realized on future tax rolls when parcels are sold
State and Federal Budget Actions

**State Budget**
- Governor’s proposed budget contains no significant impact to County-administered programs
- Public Safety Realignment allocations for 2013-14 expected in the Governor’s May Revision Budget
- Pursue aggressive legislative strategy to address negative impacts to the State’s implementation of the Affordable Care Act
- State budget changes not included in the Recommended Budget

**Federal Budget**
- Federal budget remains uncertain. Our primary concern is the impact of the Affordable Care Act
Economic Outlook

- Economic indicators point toward moderate growth
- Los Angeles County unemployment down by 1.2% from January 2012, but still remains high at 10.4%
- County sales tax has returned to pre-recessionary levels
- Housing market has stabilized and is now in recovery
Efficiency Initiatives

Since 2009, through diligent efforts and innovative reengineering of existing processes, the County has achieved annual savings of over $250 million. The County’s ability to avoid serious cutbacks and layoffs is in part due to these cost-saving efforts.

Notable projects include:

✓ **Health Services ($114.4 million)**
  - Pharmaceutical Drug Savings - $100.3 million
  - Health Services’ Improved Medi-Cal Claims Process - $8.0 million
  - Increased Clinic Participation and Expanded Industry Sponsored Assistance to Reduce Indigent Client Medication Costs - $6.1 million

✓ **Public Social Services ($18.6 million)** - One-time General Relief to Supplemental Security Income Transition

✓ **Auditor-Controller ($0.2 million)** - Electronic Paystub Program
Efficiency Initiatives

Notable projects continued:

- **Internal Services ($5.5 million)** - Systematic Monitoring and Termination of Unused Phone/Data Lines

- **Chief Information Office ($10.8 million)** - Enterprise Software Licensing

- **Child Support ($1.6 million)** - Process Improvement to Determine and Collect Unreimbursed Costs

- **Public Library ($1.2 million)** - Self-Service Model Allowing Customers to Check Out Books, Pick Up Holds, and Pay

- **Parks and Recreation ($0.4 million)** - Smart Irrigation Systems and Waterless Urinals
Other Notable Projects:

✓ **Energy Efficiency Projects**
  - $2.2 million in energy efficiency projects
  - Estimated savings of $1.9 million from lighting retrofitting and other projects

✓ **Email Consolidation**
  - Migrated 24,535 users to a centralized County system
  - Savings of $1.7 million for Health Services and other County users

✓ **Health Services Supply Chain Management**
  - Established additional enterprise-wide formularies and other purchasing items
  - Identified/adjusted appropriate inventory levels, improved data access to eliminate hoarding and overstocking

✓ **Other Information Technology Initiatives**
  - Managed print services
  - Server consolidation
Efficiency Initiatives

Planned Major Projects in FY 2013-14

✓ Refinancing of Bonds
  • Refinancing of bonds issued by former Redevelopment Agencies, saving $100 million in ongoing funding over 20 years for the County, schools and local cities

✓ Fuel Management System
  • Establishment of an automated fuel management system to allow for the efficient and accurate tracking of fuel usage
Total Revenue
$24.699 Billion (- 2.7%)

- **Special Funds and Districts** $5.483 Billion 22% (-9.1%)
- **Other** $3.154 Billion 13% (0.0%)
- **Federal Assistance** $5.125 Billion 21% (2.3%)
- **Locally Generated Revenues** $6.030 Billion 24% (-4.9%)
- **State Assistance** $4.907 Billion 20% (1.4%)

Figures in parentheses on the pie chart denote percentage change from previous year.
Locally Generated Revenues
$6.030 Billion (-4.9%)

- Fund Balance $1.180 Billion 19% (-24.6%)
- Cancelled Reserves $52 Million 1% (-71.3%)
- Other Nondepartmental Revenues $264 Million 3% (-1.1%)
- State Realignment - VLF $332 Million 6% (7.8%)
- Home Owners’ Property Tax Relief $21 Million 1% (0.0%)
- Sales Tax $44 Million 1% (22.2%)
- Other Taxes NDR & Utility User Taxes $138 Million 2% (2.2%)
- Other Taxes ‘Triple Flip’ $15 Million 1% (36.4%)

Property Taxes $3.984 Billion 66% (4.4%)

Figures in parentheses on the pie chart denote percentage change from previous year.
Net County Cost By Function
$6.030 Billion (-4.9%)

- Public Protection: $2.549 Billion (42%) (-0.8%)
- Health: $929 Million (15%) (5.1%)
- Public Assistance: $856 Million (14%) (-7.3%)
- Recreation & Cultural: $174 Million (3%) (0.0%)
- General: $1.522 Billion (26%) (-6.9%)

Figures in parentheses on the pie chart denote percentage change from previous year.
Unincorporated Area Services Program Summary
Gross Appropriation: $1.182 Billion

- Public Works: $552 Million (46.7%)
- Regional Planning: $26 Million (2.2%)
- Sheriff *: $157 Million (13.3%)
- Public Library: $49 Million (4.2%)
- Other: $30 Million (2.5%)
- Parks and Recreation: $119 Million (10.1%)
- Fire Protection District: $249 Million (21.0%)

*Includes direct patrol costs based on FY 2012-13 rates, excluding countywide and departmental overhead costs and specialized countywide services costs such as Aero Bureau, Special Enforcement Bureau, etc. This is a departure from previously reported figures, which included these costs.
Mandated vs. Discretionary Cost
2013-14 Recommended Budget
$24.699 Billion*

Program Specific Revenue/Fixed Costs
$18.669 Billion (75.6%)

Flexible Costs**
$3.493 Billion (14.1%)

Non-Flexible Costs
$2.537 Billion (10.3%)

Public Protection - $1.216 Billion (4.9%)
($ in Millions)
- Community-Based Contracts $2.7
- Coroner $31.1
- District Attorney – Criminal $110.6
- Emergency Preparedness $4.7
- Fire – Lifeguards $26.9
- LARICS $13.2
- Probation - Camps/Support $225.0
- Sheriff $802.2

MOE & Mandatory Costs - $2.471 Billion (10.0%)
($ in Millions)
- Alternate Public Defender $55.5
- District Attorney – Criminal $69.7
- Health/Mental Health $506.7
- Court Related (Indigent Defense $59.9) $290.9
- Probation – Other $274.6
- Public Defender $175.9
- Social Services $653.9
- Sheriff $444.0

All Other Costs - $2.277 Billion (9.2%)
($ in Millions)
- Agric. Comm./Weights & Measures $10.2
- Animal Care and Control $21.2
- Capital Projects $514.6
- Consumer Affairs $5.8
- Countywide Services $124.7
- Extraordinary Maintenance $106.0
- General Government $521.6
- Health-Drug Court $1.8
- Health-GF Contribution $273.8
- Health-Tobacco $111.8
- Health/Mental Health-Others $64.7
- Homeless Services $60.8
- Other Public Services $118.2
- Parks and Recreation $112.0
- Project & Facility Development $61.3
- Provisional Financing Uses $129.4
- Recreation and Cultural $19.1
- Regional Planning $19.8

Other Non-Flexible Costs - $65.8 Million (0.3%)
($ in Millions)
- Grand Jury $1.8
- Judgments & Damages/Insurance $19.7
- Museums Obligation $44.3

**Flexible Costs include one-time only expenditures and mandatory functions with discretionary service levels

*Excludes major interfund transfers of revenue that would artificially inflate the size of the total County budget

County of Los Angeles
2013-14 Recommended Budget
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommended Budget</td>
<td>April 16, 2013</td>
</tr>
<tr>
<td>Public Hearings</td>
<td>May 15, 2013</td>
</tr>
<tr>
<td>Budget Deliberations</td>
<td>June 24, 2013 until conclusion</td>
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</tbody>
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