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Thank you for coming to the release of the 2001-02 Proposed Budget for Los Angeles County. We've prepared some electronic charts to help illustrate some of the major elements of the presentation today. As the 2001-02 PROPOSED COUNTY BUDGET chart indicates, the Proposed Budget is \$16.0 billion and includes funding for over 95,000 employees.

I want to point out that the Proposed Budget of \$16.0 billion represents an increase of \$428 million from the current budget. General County funds, when viewed exclusive of special funds and districts, reflect an increase of \$411 million; of which the General Fund's net County cost increase is \$124 million. The General County increases are primarily attributable to negotiated salaries and employee benefits increases, full year Tobacco Settlement program enhancements, continuation of the multi-year effort to reduce reliance on Los Angeles County Employee Retirement Association excess earnings, and minimal increases to enable departments to keep pace with various unavoidable costs and caseload increases.

With the 2001-02 Proposed Budget, the County will embark on another year of relative stability, but the economic outlook appears more uncertain than in the recent past. While it appears that the Southern California region may be less vulnerable to reductions in high-technology businesses, nevertheless the Proposed Budget continues the Board of Supervisors' cautious approach for the use of additional resources. By and large, programs funded with net County cost are provided only those resources necessary to address caseload and other unavoidable cost increases which cannot be absorbed or offset with other revenues.

The Proposed Budget also reflects continued investment in infrastructure, professional development, information technology, and other long-range stabilization strategies, consistent with the County Strategic Vision and Goals adopted by the Board.

The next series of charts will help illustrate the major components of the County budget.

- TOTAL COST BY FUNCTION
- TOTAL REVENUE
- LOCALLY GENERATED REVENUE
- NET COUNTY COST BY FUNCTION
- COST COMPARISON BY FUNCTION

- MANDATED VS. DISCRETIONARY COSTS (5 charts)

In addition to the funding priorities I indicated earlier, the budget also includes significant, largely State and Federally-funded changes, including:

- PROPOSED BUDGET INCLUDES STATE & FEDERALLY-FUNDED CHANGESchart

- o Department of Public Social Services (excluding the Assistance budget), \$90.2 million and 1,071 positions, primarily to support Medi-Cal enrollment efforts to increase the number of certified eligible Medi-Cal beneficiaries to 997,500 by June 30, 2002.

- Mental Health, \$28.4 million and 129 positions, primarily to expand mental health services for children and the homeless.

- Probation, \$1.7 million for Long-Term Family Self-Sufficiency (LTFSS) projects, enhancing school-based probation supervision and family preservation services.

- OTHER MAJOR CHANGES - HEALTH AND SOCIAL SERVICESchart

- \$11.5 million in Health Services for enrollment of 8,000 additional children and the potential first time enrollment to include 10,000 parents of eligible children in the Healthy Families Program.

- \$6.3 million in Community and Senior Services to fund 28 additional Adult Protective Services casework and support staff to reduce social worker caseloads to the official yardstick of 15 cases per worker.

- OTHER MAJOR CHANGES - PUBLIC PROTECTIONchart # 1 of 2

- o \$7.8 million for Sheriff contract law enforcement services for the Community College Districts.

- o \$7.1 million in Probation to fund increased medical services, group home placement costs, disability benefits, portable emergency generators, and staff to operate the 35-bed Camp Scott expansion project.

- o \$6.3 million to back-fill the loss of revenue for the Sheriff's Community Oriented Policing Services (COPS) in unincorporated areas.

- OTHER MAJOR CHANGES - PUBLIC PROTECTION chart # 2 of 2

- o District Attorney Bureau of Family Support Operations, transitioning to the new Child Support Services Department, effective July 1, 2001. It is projected that the Department will serve 580,000 families, and establish 75,000 paternities and 56,000 support orders.

o \$6.3 million for Trial Court Operations to fund an increase in the County's Maintenance of Effort (MOE) obligation to the State due to the completion of the 1997-98 MOE declaration credits.

- OTHER MAJOR CHANGES chart

o \$17.6 million for natural gas and \$10.2 million for electricity projected increases. These increases do not include the recent Public Utilities Commission approved increase and the most recent revised projections for the remaining months of the fiscal year, which will be addressed during Final Changes.

o \$3.4 million for the Department of Parks and Recreation's operational costs for 41 new and refurbished facilities including:

- New parks in Castaic (Cheesbrough Park), Bouquet Ranch (Plum Canyon Park), and in Stevenson Ranch (Rioux Memorial Park).

- New gymnasiums in Castaic, City Terrace, Compton, Duarte, Littlerock and Whittier.

- New soccer, baseball, and /or basketball facilities in Baldwin Hills, East Los Angeles, Lake Los Angeles, and South El Monte.

- Various refurbishment projects at 40 parks throughout Los Angeles County.

- CAPITAL PROJECTS SUMMARY chart # 1 of 2

- The Budget reflects the Board's commitment to use one-time funds for infrastructure purposes.

o Over the last two years, funding has been identified to support \$289 million in capital projects.

- During the same period, \$66 million of deferred maintenance work has been funded.

o The Proposed 2001-02 Capital Projects/Refurbishments Budget appropriates \$534.8 million for high priority capital improvements, including:

- \$203.6 million for the design and construction of three Sheriff and fire stations, programming of the State-funded Regional Forensics Laboratory, relocation of the Sheriff's Special Enforcement Bureau, and expansion of the Coroner's autopsy and laboratory facilities.

- CAPITAL PROJECTS SUMMARY chart # 2

\$534.8 million for high priority capital improvements (cont'd)

- \$140.8 million for the construction or refurbishment of community centers, gymnasiums, athletic fields, trails, and landscaping at County parks and beaches.
- \$66.6 million for the seismic retrofit of hospital facilities, including design and site preparation for the LAC+USC Medical Center Replacement Project and the renovation of historical significant unreinforced masonry buildings.
- \$35.3 million for improvements to general government facilities, including \$22.2 million for the East Los Angeles Civic Center.
- \$18.3 million for the reconfiguration of MacLaren Children's Center, the development of new libraries, and the development and construction of childcare centers.

To further illustrate funding priorities, the LOS ANGELES COUNTY STRATEGIC PLAN chart lists the County's five Organizational and Program Goals. The County is actively engaged in aligning its strategies, priorities and planning efforts to the goals, strategies and objectives of the Strategic Plan. The following charts reflect specific funding recommendations which relate to one of the five key goals of the Strategic Plan, including a new program goal of Children and Families' Well-being:

- FOCUS ON SERVICE EXCELLENCE chart
 - Funding in various departments consistent with the Long-Term Family Self-Sufficiency Plan such as:
 - Family Preservation
 - Teen Library Card Campaign
 - Community-Based Teen Services
 - Employer-Linked Education/Training
 - Family Resource Centers
 - o \$4.9 million to improve and facilitate public access to information and services via web-enabling applications, e-commerce programs, and improved network connectivity between County departments.
 - o \$90,000 in Consumer Affairs to establish a toll-free number for consumer services.
- FOCUS ON WORKFORCE EXCELLENCE chart
 - o \$1.0 million in Human Resources to promote countywide staff development.

- o \$304,000 for the Office of Affirmative Action Compliance to support a new countywide Employment Discrimination Investigation Process.

- FOCUS ON ORGANIZATIONAL EFFECTIVENESS chart

- o \$2.5 million and 255 positions in Children and Family Services to enhance the Department's organizational infrastructure and support its restructure to lay the foundation for an improved child welfare system.

- \$1.1 million, partially offset by charges to departments, for the Auditor-Controller to enhance support for major countywide information systems.

- \$225,000 in grant-offset funding for the Arts Commission to pursue the Arts Education Service in partnership with the County Office of Education.

- FOCUS ON FISCAL RESPONSIBILITY chart

- o \$4.2 million to address deferred maintenance projects in order to maintain the County's investment in public infrastructure.

- o Reimbursable funding of \$0.7 million to support the Countywide Asset Management System, including efforts to streamline the leasing process.

- FOCUS ON CHILDREN AND FAMILIES' WELL-BEING chart #1 of 2

- \$473 million is projected to be collected by the new Child Support Services Department to assist children and families. Department to continue efforts to improve on existing collection rate of 31.2 percent on cases where a support order has been established.

- o \$4.9 million in revenue-offset funding for Children and Family Services to further implement the recommendations of the Foster Care Task Force and Relative Caregivers Task Force to enhance the safety and emotional and social well being of children and their caregivers.

- FOCUS ON CHILDREN AND FAMILIES' WELL-BEING chart #2

- \$4.6 million in revenue-offset funding and 18 positions in Children and Family Services for expansion of the Independent Living Program to assist emancipating foster youth in achieving self-sufficiency.

- \$2.3 million and 39 positions to provide more comprehensive supervision in the MacLaren Children's Center living units and to provide counseling and emotional support.

The Health Department continues to be our greatest financial challenge. The HEALTH SERVICES chart summarizes the major funding allocations within the \$2.8 billion recommended for the Department. Notwithstanding the additional Federal, State, and

County revenue funding provided during the five year 1115 Waiver extension, the Department still faces a significant budget deficit over the last three years of the Waiver. The Department has developed a Five-Year Strategic Plan which proposes some deficit reduction measures to maintain fiscal stability over the next five years. However much remains to be done, we are currently working with the department to refine and expand alternatives for the Board to consider.

HEALTH SERVICES chart: In addition to the 1115 Waiver extension, the Health budget includes utilization of \$41.8 million in Tobacco Settlement funds, a total reduction in cost of \$22.1 million associated with the Board-approved current year two percent position reduction of 153 positions, and an estimated 438 positions in the Proposed Budget year (the positions will be identified when the Board deliberates on the Final Adopted Budget), and savings of \$118.9 million associated with the Department's Strategic Plan.

The UNINCORPORATED AREA SERVICES chart summarizes the funding allocation within the \$699.5 million recommended for the unincorporated area.

UNINCORPORATED AREA STRATEGIC PLAN chart

- Developed through collaborative efforts of more than 50 executive representatives from County departments, commissions, and Board Offices.
- o Proposes a variety of innovative approaches to enhance service delivery for unincorporated communities.
- o CAO's budget incorporates funding to begin implementation of the Unincorporated Area Strategic Plan.

The next chart gives a couple of quotes from the March, 2001, UCLA Anderson Forecast.

ECONOMIC OUTLOOK FROM THE UCLA ANDERSON FORECAST chart

- "At our December quarterly conference, we announced a 60% chance of a recession this year, based on the data that have arrived over the last 3 months, that probability has increased to 90%".
- "Southern California will likely avoid an outright recession, but will still experience many economic stresses in the coming year".

The first chart on ECONOMIC OUTLOOK - THE COUNTY'S CONSERVATIVE APPROACH...(2 charts) shows that our major revenue source (property tax, local sales tax, sales tax-realignment and Public Safety Augmentation) projections are conservative compared to the UCLA Anderson School forecast.

The second chart on ECONOMIC OUTLOOK compares our forecasted growth for Vehicle License Fees - Regular and Vehicle License Fees - Realignment to projected growth

included in the Governor's January, 2001 Budget. The Governor's January Budget will be revised in May to reflect the most recent economic updates.

Another challenge the County faces in 2001-02 is utilities cost increases due to the State's on-going energy crisis. The UTILITIES BUDGET - ELECTRICITY chart depicts our projected growth in electricity cost in the Utilities Budget. Our latest cost projection for 2001-02 is \$75.3 million, which is a 38 percent increase over the 1999-00 actual cost of \$54.7 million. The UTILITIES BUDGET - NATURAL GAS chart illustrates the projected growth in natural gas cost in the Utilities Budget. The 2001-02 projection is \$65.6 million, which is a 218 percent increase over the actual cost of \$20.6 million. The UTILITIES BUDGET chart illustrates the total increase costs of utilities the Utilities Budget from the 1999-00 actual of \$104.1 million in 1999-00 to our projection of \$176.7 million for 2001-02, a 70 percent increase.

The USE OF LACERA SURPLUS EARNINGS chart depicts continuation of our multi-year plan to reduce the use of excess retirement system earnings to support operations; fiscally responsible initiatives such as this are a key element in the Board's continued cautious approach in the use of additional resources.

Finally, the GROSS ERAF LOSS chart depicts the four year trend of the County's loss from the State's ERAF property tax shift, which is projected to be \$1.05 billion in 2001-02. While the State has backfilled part of the County's loss with Public Safety Sales Tax, Trial Court Funding Offset, and COPS Offset, we project a net loss of \$405.0 million.

We are continuing to closely monitor both the Health budget and the energy crisis to ensure that any further unanticipated cost increases in these areas will not compromise the County's ability to maintain current service levels.