

April 24, 2001

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:

2001-02 PROPOSED COUNTY BUDGET (3-VOTES)

The 2001-02 Los Angeles County Proposed Budget total of \$16.0 billion reflects an increase of \$428.0 million in total requirements. General County funds (including the General Fund, \$476.7 million; Debt Service Funds, \$2.6 million; and Hospital Enterprise Funds, \$-67.9 million) reflect an increase of \$411 million; of which the General Fund's net County cost (NCC) increase is \$124 million.

TOTAL REQUIREMENTS - ALL FUNDS - 2001-02

(billions of dollars)

	2000-01	2001-02		%
Fund	Budget	Proposed	Change	Change
Total General County	\$ 12.740	\$ 13.151	\$ 0.411	3.2
Special Districts/Special Funds	2.843	2.860	0.017	.6
Total Budget	\$ 15.583	\$ 16.011	\$ 0.428	2.7
Budgeted Positions	92,602.7	95,065.2	2,462.5	2.7

Budget Overview

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 Southern California may be less vulnerable to an economic contraction from reductions in high-technology businesses, your Board must continue its cautious approach to increasing the service levels of NCC departments in the Proposed Budget. Targeted funding recommendations reflect increases in salaries and employee

benefits from negotiations with the majority of the County's bargaining units, full-year Tobacco settlement program enhancements, continuation of the multi-year effort to reduce reliance on Los Angeles County Employees Retirement Association (LACERA) excess earnings, and minimal increases to enable departments to keep pace with various unavoidable cost and caseload increases.

The County will face two challenges in 2001-02:

- Health Services – The Proposed Budget is primarily based on the continuation of programs and funding from the 2000-01 Adopted Budget, including the extension of the 1115 Waiver Medicaid Demonstration Project. However, the budget increases the targeted reengineering savings to \$84.9 million, including \$9.8 million in savings from projects that have not been approved.
- Utilities Costs – The Proposed Budget includes a funding increase of \$17.6 million for natural gas and \$10.2 million for projected electricity increases, due to the State's on-going energy crisis. The estimate for natural gas assumes a favorable multi-year contract with suppliers. The electricity increase included in the Proposed Budget was based on a 20 percent rate increase for Southern California Edison, with no rate increase assumed for the Los Angeles City Department of Water and Power. More recent increases approved by the Public Utilities Commission will be reflected during Final Changes.
- Implementation of Countywide Strategic Plan

Based on the Countywide Strategic Plan approved by your Board in November 1999, the County is actively engaged in aligning its operational strategies, priorities and planning efforts to the goals, strategies and objectives of the Strategic Plan. The budget for each department includes a discussion of that department's activities in this regard. Many of these activities involve restructuring existing resources or pursuing multi-year efforts which may not be reflected among the department's specific funding recommendations, or changes, for 2001-02. However, the 2001-02 Proposed Budget reflects the following specific funding recommendations which relate to one of the four key goals of the Strategic Plan, as indicated.

- Goal No. 1 – Service Excellence: Provide the public with easy access to quality information and services that are both beneficial and responsive.
- Seamless ("One County") service delivery systems are promoted via funding recommendations in various departments consistent with the Long-Term Family Self-Sufficiency Plan, including: \$1.6 million and 18.0 positions in the Department of Children and Family Services for Family Preservation, Family Support, Family-to-Family, and emancipation services; \$0.6 million in the Public Library for the Teen Library Card Campaign project; and \$0.9 million and 14.0 positions in the Probation Department for Family Preservation services and Family Resource Centers. These programs are offset by intrafund transfer from the Department of Public Social Services.

- User-friendly services, particularly internet- and local network-based services, will be further enhanced, consistent with recommended reimbursable funding of \$4.9 million and 14.0 positions in the Internal Services Department to support such efforts as web-enabling applications, e-commerce programs, and improved network connectivity between County departments.
- Goal No. 2 – Workforce Excellence: Enhance the quality and productivity of County workforce.
 - Efforts to recruit and retain dedicated and productive employees are supported by a recommended \$1.0 million in NCC and 3.0 positions in the Department of Human Resources to promote countywide staff development and improved customer service focus through university/college contract resources.
 - With the objective of supporting efforts to create a more positive work environment, \$304,000 and 4.0 positions are recommended for the Office of Affirmative Action Compliance to support the new countywide Employment Discrimination Investigation Process.
- Goal No. 3 – Organizational Effectiveness: Ensure that service delivery systems are efficient, effective, and goal-oriented.
 - Improvement of internal operations is being pursued via proposed appropriation of \$1.1 million, partially offset by charges to departments, and 16.0 positions for the Auditor-Controller to enhance the Department's support for major countywide information systems, including improved property tax systems to improve public service and the accuracy of property tax distribution.
 - Collaboration across functional and jurisdictional boundaries will be expanded through \$225,000 in grant-offset funding for the Arts Commission to pursue the Arts Education Service in partnership with the County Office of Education.
- Goal No. 4 – Fiscal Responsibility: Strengthen the County's fiscal capacity.
 - In order to maintain and enhance the County's investment in public infrastructure, the Proposed Budget reflects increased funding of \$4.2 million to address deferred maintenance projects.
 - Reimbursable funding of \$0.7 million and 5.0 positions are recommended for the Chief Administrative Office to support and maintain the Countywide Asset Management System, including efforts to streamline the leasing process.
- As noted in the 2000-01 Proposed Budget, the effort to increasingly conform the County's funding priorities and strategies to the Strategic Plan, collectively and collaboratively developed by the entire County family, is an evolutionary effort. The structure and format of subsequent County budgets will reflect this alignment more explicitly.
- Unincorporated Area Services

- Consistent with the vision, purpose, philosophy and goals of the Countywide Strategic Plan, the Chief Administrative Office led the development of an Unincorporated Area Strategic Plan to improve municipal service delivery to the approximately one million residents of the unincorporated communities of the County. The Unincorporated Area Strategic Plan was developed through the collaborative efforts of more than 50 executive representatives from County departments, commissions, and Board Offices. It proposes a variety of innovative approaches to enhance service delivery for unincorporated communities. The CAO's budget includes funding to begin implementation of the Unincorporated Area Strategic Plan.

Summary of Funding Recommendations by Major County Program Area

Beyond the funding recommendations highlighted above, the following summarizes other key recommendations reflected in the Proposed Budget by major County program area.

- Public Safety and Justice Services:
 - The Sheriff's budget reflects \$8.3 million in NCC to maintain the Community-Oriented Policing Services (COPS) program in the County's unincorporated area, fund the Office of Independent Review and Hate Crimes Detail, and staff the Chatsworth Court; and \$7.8 million in reimbursable funding for contract law enforcement services for the Community College Districts.
 - The District Attorney's budget reflects the transfer of 28.0 investigators from the Bureau of Family Support Operations, more than offset by the transfer of 23.0 administrative positions to the new Child Support Services Department and a reduction of 29.0 grant-related positions.
 - The Fire Department's budget continues all current emergency and support services within available revenue. The budget reflects the addition of a risk manager and support staff, and the Department continues implementation of its Budget Correction Plan initiated in 2000-01.
 - The Probation Department's budget includes additional NCC of \$7.1 million 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. Also reflected is \$1.7 million for reimbursable Long-Term Family Self-Sufficiency projects enhancing school-based probation supervision and family preservation services.
 - The Trial Court Operations' budget includes additional NCC of \$6.3 million 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, and additional NCC of \$1.0 million for the third year of the five-year phased elimination of an operating transfer from the Criminal Justice Facilities Temporary Construction Fund.
- Health Services:

- The Proposed Budget primarily reflects funding for continuation of existing programs, including a five-year extension of the 1115 Waiver Medicaid Demonstration Project (Waiver), which was approved by the Board on February 13, 2001.
- The Proposed Budget reflects:
 - Increased funding for the Healthy Families Program to recognize the projected increase in enrollment of children, and the expansion of the Program to include parents of eligible children.
 - Utilization of \$41.8 million in Tobacco Settlement funds approved by the Board on October 31, 2000 for programs such as ambulatory care enhancement, tobacco control and prevention, public health, and the Waiver non-sanctionable commitments.
 - Funding of \$14.7 million and 78.9 positions, which represents annualization of costs for the Waiver sanctionable items approved by the Board on September 26, 2000 and includes rate increases for Public/Private Partnership (PPP) and General Relief Health Care Program providers, Cost-Based Reimbursement Clinics, Outpatient Reduced Cost Simplified Application, and Clinical Resource Management.
 - A total reduction of \$22.1 million in costs associated with the first and second years of a five-year plan for a two percent reduction in budgeted funded positions, approved by the Board on December 12, 2000, resulting in decreases of 153.4 positions in 2000-01 and an estimated 438 positions in 2001-02.
 - Savings of \$118.9 million associated with the Department's Strategic Plan, consisting of a \$68.2 million transfer from the Trust Fund reserve, \$50.0 million in operating surplus, and \$0.7 million due to reduced memberships and outside legal fees.
- Notwithstanding the additional Federal, State, and County funding provided during the five-year Waiver extension, the Department still faces a projected cumulative budget deficit of nearly \$900.0 million over the last three years of the Waiver. Rather than face an enormous shortfall at the end of the Waiver period, the Department developed its Five-Year Strategic Plan which proposes deficit reduction measures to maintain fiscal stability over the next five years.
- Although the Proposed Budget reflects some mitigating measures to reduce the shortfall, to a large extent, the Strategic Plan submitted to the Board in December 2000, is still in the early planning stages and extensive work is still necessary to develop some initiatives. It is therefore critical that the Department continues to aggressively move ahead with achieving these savings initiatives in order to avoid rolling the budgetary shortfall forward to future fiscal years, and potentially resulting in a problem that the County would be incapable of solving without catastrophic consequences.
- Social Services:

- The budget reflects an increase of \$90.2 million in total funding and an additional 1,071 positions for the Department of Public Social Services – Administration budget, including: 1) \$29.4 million in revenue-offset funding and 752.0 positions to support Medi-Cal enrollment efforts to comply with the Medicaid 1115 Waiver; 2) \$6.1 million in revenue-offset funding and 160.0 positions to support projected caseloads in Non-Assistance Food Stamps, the Cash Assistance Program to Immigrants and the Refugee Resettlement Program; 3) \$36.5 million and 143.0 positions for quality control activities, design and development of information technology systems, and other support costs directly related to line operations; and 4) \$1.4 million in revenue-offset funding and 16.0 positions for the Department’s management reorganization approved by the Board of Supervisors on November 28, 2000.
- The Department of Children and Family Services budget (Administration and MacLaren Children’s Center (MCC)) reflects increased appropriation of \$74.6 million and 482 additional positions, including: 1) \$15.4 million in revenue-offset funding and 255 positions for the Department’s restructuring, as approved by the Board of Supervisors on December 19, 2000; 2) \$4.9 million in revenue-offset funding and 57 positions needed to further implement the recommendations of the Foster Care and the Relative Caregiver Task Forces; 3) \$11.4 million in revenue-offset funding and 85 positions for expansion of the Child Protection, Children’s System of Care, Independent Living, and Child Care programs and five Long-Term Family Self-Sufficiency (LTFSS) projects; and 4) \$2.8 million in revenue offset funding and 53 positions for critically needed casework and support positions at MCC.
- The budget for Mental Health funds the Department at the minimum State MOE requirement. The Budget reflects a \$17.2 million NCC increase due to a \$6.2 million increase in the Department’s required share of Vehicle License Fee-Realignment revenue, and \$11.0 million for Board-approved use of Tobacco Settlement funds.
- The budget also reflects \$28.4 million in additional funding and an additional 129 positions to: 1) expand the Children’s Systems of Care Program; 2) expand homeless services; 3) expand high-risk geriatric case management services; 4) expand outpatient, indigent mental health care through community-based programs, contract providers and directly operated programs; 5) expand mental health/law enforcement and crisis response services; 6) expand crisis intervention and stabilization services; and 7) implement school-based/school-linked mental health services.
- The budget reflects the transition of the Bureau of Family Support Operations from the District Attorney to the new Child Support Services Department on July 1, 2001, in compliance with State legislation.
- General Government and Other Services:

- The budget for the Department of Parks and Recreation reflects additional NCC of \$3.4 million for staffing and operational costs of new and refurbished park facilities opening during and prior to 2001-02, and \$1.0 million associated with a revenue reduction from the Department of Public Works for maintenance of landscaping surrounding flood control channels.
- The budget for Regional Planning reflects additional NCC of \$265,000 for consultant services to prepare an Environmental Impact Report for the Countywide General Plan Update.
- Additional funding of \$1.2 million, more than offset by increased Marina rental and parking income, is reflected for the Department of Beaches and Harbors to oversee the operational implementation of the maintenance elements of the Marina Asset Management Strategy, and implementation of a parking control program.
- The Proposed Budget reflects increased funding for the Department of Agricultural Commissioner/Weights and Measures to supplement the Red Imported Fire Ant Eradication and Glassy Wing Sharpshooter Programs.
- The budget for the Registrar-Recorder/County Clerk reflects additional NCC of \$2.7 million to backfill a revenue reduction in recorder and Real Estate Fraud Program fees.
- Capital Projects/Refurbishments
 - The Proposed 2001-02 Capital Projects/Refurbishments Budget appropriates \$432.7 million to fund 275 General Fund projects currently under development, design, or construction. Sixty projects were completed in 2000-01. Specifically, the additions to the Proposed Capital Projects/Refurbishments Budget reflect funding for:
 - Renovation of a historically significant unreinforced masonry building;
 - Refurbishment of the Civic Center Heating and Cooling plant;
 - Retrofit for seismic upgrades; and
 - Continuation of the deferred maintenance program.

Budget Timetable

- Approved schedule for budget hearings and deliberations is as follows:

Board Action	Approved Date
Adopt Proposed Budget; order printing, notice, and distribution; and schedule hearings	April 24, 2001
Commence public budget hearings	May 9, 2001
Commence final budget deliberations, and adopt final budget upon conclusion	June 25, 2001

- Prior to deliberations on the 2001-02 Final Budget, we will file reports on:

- May revisions to the Governor's budget and updates on other 2001-02 State and Federal budget legislation and the resulting impact on the County's Proposed Budget;
- Final revisions reflecting latest estimates of requirements/available funds;
- Issues raised in public hearings or written testimony;
- Recommendations on the level of Bond Anticipation Note authorization;
- Specific matters with potential fiscal impact; and
- Issues as instructed by your Board.

Approval of Proposed Budget

- The matter before your Board is adoption of the Proposed Budget.
- The document must be available for consideration by the public at least ten days prior to the commencement of budget hearings.
- Adjustments to the budget, including revisions necessary to reflect your Board's funding priorities and State and Federal budget actions, can be made during budget deliberations, prior to adoption of the Final Budget.
- Per State law, your Board may make changes to the Proposed Budget with a simple majority (3-votes) until adoption of the Final Budget, if changes are based on the permanent record developed during public hearings (e.g., Proposed Budget, budget requests, and all written and oral input by Supervisors, County staff, and the public).
- Changes not based upon the "permanent record" require a 4/5 vote.

THEREFORE, IT IS RECOMMENDED THAT YOUR BOARD:

Order such revisions, additions, and changes to the Chief Administrative Officer's budget recommendations as you deem necessary, and approve the revised figures as the Proposed Budget for 2001-02; instruct the Auditor-Controller to have the necessary copies printed; order the publication of the necessary notices; and set May 9, 2001 as the date on which public hearings will begin.

Respectfully submitted,

DAVID E. JANSSEN

Chief Administrative Officer