

**STATEMENT BY**  
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**2007-08 COUNTY OF LOS ANGELES PROPOSED BUDGET**  
**APRIL 16, 2007**

Thank you for coming to the release of the **2007-08 Proposed Budget for the County of Los Angeles**. We have prepared a presentation to help illustrate some of the major elements of the budget recommendations.

**Total Budget Requirements - Slide 3**

As the 2007-08 Proposed Budget chart indicates, the Proposed Budget for all County Departments and Districts is \$21.2 billion and includes funding for 102,058.2 employees. This is an increase of \$196.7 million or 0.94 percent, of which \$311.2 million or 1.87 percent is for general County purposes and (\$114.5) million or a 2.58 percent reduction for Special Districts or Special Funds. The Proposed Budget adds 1,425.6 budgeted positions.

**Total Cost by Function - Slide 4**

The Proposed Budget, divided into six functional areas reflects the following allocation:

- Health accounts for \$5.9 billion or 28 percent of overall budget representing a four percent increase from last year's budget.
- Public Assistance accounts for \$5.3 billion or 25 percent of the overall budget reflecting a three percent increase from last year's budget.

- Public Protection accounts for \$5.8 billion or 27 percent of the overall budget and a five percent increase from last year's budget.
- General Government accounts for \$2.8 billion or 13 percent of the overall budget, a five percent decrease from last year's budget.
- Recreation and Cultural accounts for \$0.6 billion or three percent of the overall budget and a four percent increase from last year's budget.
- All Other, including Public Ways and Facilities, Education, Local Landscape Maintenance Districts, Designations, and General Reserves accounts for \$0.8 billion or four percent of the overall budget and represents a 32 percent decrease from last year's budget.

#### **Total County Revenue - Slide 5**

Total County revenue is \$21.2 billion, a 0.9 percent increase over last year. This includes Special Funds and Special Districts as well as State and federal assistance for specific programs. Almost \$5.9 billion in locally generated revenue, which has increased slightly, is used to support general County programs.

#### **Total Revenue General Fund - Slide 6**

For the General Fund (excludes Special Funds, Special Districts and the Hospital Enterprise Funds) State, federal and other revenues that are restricted to specific uses account for approximately \$9.2 billion or 61 percent of all General Fund revenue. The remaining \$5.9 billion or 39 percent is available for allocation by the Board of Supervisors and is identified as net County cost.

### **Locally Generated Revenue - Slide 7**

Taxes, revenues and fund balance are all anticipated to increase over last year's budget figures while a decrease in the cancellation of reserves and designations, which serve as one-time financing sources, have all contributed to a small overall increase in locally generated revenue of less than one percent.

### **Net County Cost by Function - Slide 8**

The allocation of locally generated revenue, also referred to as net County cost (NCC), primarily reflects maintenance-of-effort and State and federal grant matching requirements as well as priorities of the Board, with emphasis on services to children, public health and public protection. As you can see, 40 percent of NCC is allocated to Public Protection, 17 percent to Health, and 11 percent to Public Assistance. General County use, including central service departments such as Auditor-Controller, Internal Services Department, and the Treasurer and Tax Collector, receive 28 percent of available funds. Other categories, including designations and general reserves, receive one percent of funds, and Recreation and Cultural services receives three percent of available dollars.

### **Cost Comparison by Function - Slide 9**

This chart compares the allocation of total County revenues to the allocation of locally generated revenues, which offset net County cost. While 53 percent of the County's total resources offset health and public assistance, and 27 percent offsets public

protection, 40 percent of net County cost dollars are allocated to public protection and 28 percent are used to fund health and sanitation and public assistance.

### **Mandated vs. Discretionary Cost - Slide 10**

As we have demonstrated, the County has limited control over funding allocations. Almost eighty-four (83.9) percent of the County's budget is spent on mandated programs or in meeting maintenance-of-effort requirements to avoid losing State or federal funds. Of the \$21.2 billion budget, \$3.4 billion or about 16.1 percent represents flexible costs, which funds additional public protection and health costs as well as one-time funding for critical capital project and infrastructure costs.

### **Program Specific Revenue/Fixed Costs - Slide 11**

Program Specific Revenue/Fixed Costs account for \$15.4 billion or 72.4 percent of the Proposed Budget. Over half of these funds are earmarked for Health and Social Services programs such as Medi-Cal, Medicare and CalWORKs, and almost one-third of these funds represent the County's Special Funds and Special Districts. Examples of Special Funds include courthouse construction funds, substance abuse treatment programs, the Public Library, and Road Fund. Examples of Special Districts include the Fire Department, Public Work's Flood Control and Sewer Maintenance Districts, and Regional Park and Open Space Districts.

### **Non-Flexible Costs - Slide 12**

Non-Flexible Costs account for \$2.5 billion or 11.5 percent of the Proposed Budget. These costs are tied to Public Safety maintenance-of-effort requirements, State and federal matching requirements, and statutory funding requirements such as indigent legal defense programs.

### **Flexible Costs - Slide 13**

Flexible Costs account for \$3.4 billion or about 16.1 percent of the Proposed Budget. Almost a third (31.7 percent) of these costs are allocated for public protection, while 14.7 percent are earmarked for general government functions, over 11 percent for health services, 31.8 percent reflects funding for Capital Projects/Extraordinary Maintenance that are in progress and the remaining 10.8 percent represents various other areas.

### **Budget Overview - Slide 14**

The 2007-08 Los Angeles County Proposed Budget once again builds upon the prior years' budget that focused on increased funding for public protection and health services needs. This year's Proposed Budget provides funding totaling over \$370 million to address a number of public protection and health care issues facing the County.

## Public Protection - Sheriff's Department - Slides 15 and 16

### Sheriff's Department

- **Custody System Improvements** - The 2007-08 Proposed Budget recommends \$19.3 million in funding and 165.5 budgeted positions to improve conditions and safety throughout the Sheriff's custody system related to the Rutherford Panel, Title 15 Compliance Program and the Central Housing Unit. The Proposed Budget also recommends capital funding of \$245.0 million for the refurbishment of the Sybil Brand Institute and new barracks at the Pitchess Detention Center. In addition, the Proposed Budget recommends that \$16.0 million be set aside for the design of a major refurbishment at the Men's Central Jail, which will require substantial funding in future years.
- **Unincorporated Patrol Augmentation** - The Proposed Budget recommends a funding increase of \$17.3 million for the Sheriff's Department for 105.0 Deputy Sheriffs and 8.0 support positions, along with one-time operation costs to enhance patrols in the unincorporated areas.
- **Inmate Medical Services** - The Sheriff's Budget reflects \$10.0 million in funding for custody medical services as the Sheriff assumes responsibility for inmate outpatient medical services that are currently being provided at the LAC+USC Medical Center.
- **Crime Laboratory** - The Sheriff's Budget reflects \$2.6 million in funding to fully fund staff and operational costs associated with opening the new crime lab.

- **State Custody Contract** - The Sheriff's Budget reflects funding of \$9.1 million to offset the loss of revenue from the cancellation of the State prisoner housing contract.

### **Public Protection - Probation Department - Slide 17**

The Proposed Budget recommends funding increases of \$20.9 million to implement a number of plans, approved by your Board, to comply with the Department of Justice settlement agreement, redesign camps, restructure camp management and increase administration and support staff throughout the Probation Department. This recommendation adds 336.0 budgeted positions. The Proposed Budget also recommends that \$47.0 million be set aside in the Provisional Financing Uses budget to address both one-time (\$24.0 million) and ongoing (\$23.0 million) critical needs of the Probation Department. The County has now committed a total of \$75.1 million in new ongoing funding since 2005-06 toward addressing the Probation Department's comprehensive improvement strategy.

### **Public Protection - Gang Reduction Strategies - Slide 18**

The Proposed Budget recommends the addition of 47.0 budgeted positions and \$6.4 million in funding to the Sheriff (\$3.9 million and 27.0 budgeted positions), the District Attorney (\$2.3 million and 14.0 budgeted positions) and the Probation (\$0.2 million and 6.0 budgeted positions) in an effort to combat gang violence in the County.

### **Public Protection - Public Defense - Slide 18**

To address increases in workload the Proposed Budget recommends funding increases for both the Alternate Public Defender's and the Public Defender's Offices. Eight (8.0) additional budgeted positions are recommended for the Alternate Public Defender, while 11.0 budgeted positions are recommended for the Public Defender. In addition, the Proposed Budget recommends 20.0 budgeted positions for the Public Defender for the Sexually Violent Predator program (17.0 budgeted positions), the Streets or Services program (2.0 budgeted positions) and for services provided to severely developmentally disabled clients (1.0 budgeted position), which is fully offset by revenue.

### **Public Protection - Animal Care and Control - Slide 19**

The Proposed Budget recommends the addition of 16.0 budgeted positions to staff the Department's Centralized Call Center. This funding increase of \$0.8 million will enhance service to the public by alleviating long wait times and reducing the number of dropped calls.

### **Public Protection - Indigent Defense - Slide 19**

The Proposed Budget recommends a \$1.2 million increase in funding for criminal and juvenile indigent defense costs.

## **Health and Mental Health - Health Services - Slide 20**

- The Proposed Budget recommends a net decrease of 269.0 budgeted positions and increased salaries and employee benefits and services and supplies costs to meet operational needs, primarily at the County's hospitals and health facilities.
- The Proposed Budget provides \$50.0 million in General Fund contribution designated as an intergovernmental transfer (IGT) to generate \$100.0 million in additional revenues for the Health Department.
- The Proposed Budget also includes \$30.0 million in additional funding to address critical funding needs in the Health Department.

## **Health Services Pie Chart - Slide 21**

The Department of Health Services provides services to the public through hospitals, health centers and countywide health programs, primarily financed by State and federal funds. Approximately 76 percent of the budget is allocated for County hospitals, ten percent (10%) for health centers, ten percent (10%) for administration and four percent (4%) for managed care.

## **Health and Mental Health - Mental Health - Slide 22**

- The Proposed Budget continues the implementation of the Mental Health Services Act (MHSA) Community Services and Supports (CSS) Plan that was approved by the Board earlier this fiscal year. Implementation of the MHSA CSS program is an integral part of the Department of Mental Health's overall transformation from clinical services to a recovery model of community-based,

client and family driven recovery oriented services and support. This recommendation adds 220.9 budgeted positions and over \$68.1 million in appropriation that is fully offset with revenue.

- The Department of Mental Health's budget recommendation calls for full implementation of the Institution for Mental Disease (IMD) Transitional Residential Pilot Project that was previously approved by the Board of Supervisors in Fiscal Year 2006-07. This project adds 50 IMD beds and 30 transitional residential beds for intensive mental health services at a cost of \$4.5 million.
- The Department of Mental Health's budget includes the ongoing implementation of the Board approved multi-year Budget Mitigation Plan that reduces the Department's structural deficit by \$9.5 million. The plan calls for the reduction of 147.3 budgeted positions in 2007-08.

### **Health and Mental Health - Public Health - Slide 23**

- The Department of Public Health's budget reflects an appropriation increase of \$3.5 million and adds five (5.0) budgeted positions for the Children's Health Outreach Initiative. This increase in appropriation is fully offset with State revenue.
- The Department of Public Health's budget recommends a \$21.7 million increase for a variety of alcohol and drug treatment programs. This increase is fully funded with federal, State and other local funding.

## **Social Services - Slide 24**

### **Department of Children and Family Services**

- The Department of Children and Family Services Administration budget reflects funding for 329.0 budgeted positions along with services and supplies to augment the Services Outcome Improvement Project (SOIP), which was approved by your Board on January 16, 2007. This project, among other things, is geared towards reducing social worker caseloads and workloads. This adjustment recommends an appropriation increase of \$22.8 million, which is fully offset by State revenue.
- The Department of Children and Family Services Assistance budget reflects increased funding of \$9.4 million, which is primarily related to the Foster Care program. Costs are increasing due to a higher level of care provided to dependent children.

### **Department of Public Social Services**

- The Department of Public Social Services' In-Home Supportive Services (IHSS) budget reflects net County cost increases of \$39.0 million related to provider wage increases to \$9.00 per hour (\$16.4 million), caseload increases (\$14.5 million), enrollment increases in the IHSS Health Care Plan (\$2.1 million) and various other changes (\$6.0 million).
- The Department of Public Social Services' General Relief (GR) budget reflects a net County cost decrease of \$11.9 million primarily related to a 4.5 percent decrease in caseload along with anticipated lower than budgeted average cost per case.

### **Public Assistance Charts - Slide 25**

Public Assistance caseloads for the CalWORKs in the County is projected to decline for the sixth straight year, while IHSS caseloads are expected to climb for the sixth straight year. Indigent Aid is expected to continue to remain relatively static as it has since last year.

### **Homeless and Housing Program - Slide 26**

The Proposed Budget includes \$56.3 million in one-time carryover funding of the \$80.0 million added in the 2006-07 Final Adopted Budget. The funding is for County departments and contract agencies providing services such as transitional shelter, eviction protection, in-reach case management and hospital patient recuperative care services for the homeless.

### **General Government - Slide 27**

- The Internal Services Department's budget reflects an \$8.0 million one-time augmentation to support a variety of information technology infrastructure initiatives throughout the County.
- The Proposed Budget also includes the continuation of \$5.0 million in one-time funding for energy efficiency initiatives.
- The Department of Regional Planning's budget recommends a funding increase of \$0.4 million for zoning enforcement, land use application processing, and updating the General Plan and zoning ordinances. These recommendations add 10.0 budgeted positions.

### **Other Changes - LACERA Excess Earnings - Slides 28 and 29**

The Proposed Budget concludes the multi-year effort to reduce reliance on LACERA Excess Earnings. During the mid and late 1990s, the County had grown to rely heavily upon the use of one-time surplus retirement system (LACERA) earnings to meet its ongoing financing requirements. Consistent with the Board's cautious approach toward the use of one-time or uncertain funding, the County began reducing its reliance upon surplus LACERA earnings. Beginning in 2007-08, retirement cost will no longer be subsidized with excess earnings from the pension system.

### **Other Changes - Retiree Insurance Costs - Slides 30 and 31**

The County currently funds retiree health benefits on a pay-as-you-go basis. This pay-as-you-go approach has led to the accumulation of a financial liability. This liability must now be quantified under new governmental accounting rules that come into effect in 2007-08. Although the 2007-08 Proposed Budget does not make any recommendation with regards to pre-funding, the amount of the liability is expected to be substantial. The County is currently working with LACERA to determine the liability. After the liability is determined, the County will begin to develop a financial strategy to address long-term funding options for these costs. The County previously set aside \$17.0 million, in one-time funding, in a designation for these future costs in addition to an expected \$400.0 million balance in pension fund surplus beginning in 2007-08.

### **Unincorporated Area Services Gross Appropriation - Slide 32**

This chart represents total funding of \$1.2 billion for unincorporated area services, which reflects services provided by eleven different County departments. This reflects a funding increase in the unincorporated areas of \$112.0 million or a 10.6 percent increase from the 2006-07 Proposed Budget.

### ***Performance Counts!*, Program Definition - Slide 33**

*Performance Counts!* is a performance measurement framework implemented in 2004-05 to report whether programs are meeting the intent of the County's efforts, using data available to measure the program results and analysis of program quality.

### ***Performance Counts!*, Program Intent - Slide 34**

*Performance Counts!* helps the County determine whether programs are effective and whether they are being provided in the best way.

### ***Performance Counts!*, Current Status - Slides 35 and 36**

The 2007-08 Proposed Budget reflects the near completion of a multi-year effort to integrate departments' budget details with *Performance Counts!* measures, enhancing our ability to determine what results are achieved with what resources. Upcoming *Performance Counts!* efforts will be focused on further strengthening and institutionalizing performance measurement to promote use of data as a management decision-making tool.

A key component of this effort is the County's "Stats" initiative. Stats projects involve regularly scheduled meetings where accurate and timely performance data is presented and analyzed by all key managers and decision makers responsible for the success of a program or service. Within this forum, data trends are monitored and addressed, targets are established, progress is gauged and managers make on-the-spot commitments to solve issues that have resulted in a missed target. The Department of Public Social Services has implemented the successful DPSSStats program, and additional pilots employing the Stats approach in both a small department and a multi-departmental setting are being developed.

### **Children and Families Budget - Overview - Slide 37**

The Children and Families Budget is being redesigned for Fiscal Year 2007-08. Last year (2006-07) marked the fifth year of a five-year implementation plan to comprehensively inventory departmental programs serving children and families. The Children and Families Budget is now transitioning from a departmental program inventory to a more analytical, integrated performance-based budget report aligned around the County's Strategic Plan Goal 5 outcome areas:

- Good Health
- Safety and Survival
- Economic Well-Being
- Social and Emotional Well-Being
- Education and Workforce Readiness

### **Children and Families Budget - Slide 38**

Chart depicting a diagram of how over forty (40) programs may affect one Los Angeles County family.

### **Children and Families Budget - Slide 39**

In 2007, two editions of the Children and Families Budget will be issued. An abbreviated and modified version will be issued as an addendum to the FY 2007-08 Proposed Budget and will include performance measurement data only. A second version will be released after Final Changes recommendation in June 2007, which will include budgetary data. On a permanent basis following 2007, the Children and Families Budget production schedule will be moved to the latter part of each calendar year when final budget numbers are available.

These changes will help the Board of Supervisors and departments use the Children and Families Budget as a tool to focus their policy and budgetary discussions more effectively around children and families' programming, as well as provide a summary of prior year's investments and results.

### **Capital Projects Summary - Slides 40 - 44**

- The Proposed 2007-08 Capital Projects/Refurbishments Budget appropriates \$1.4 billion for continued development, design, and construction of 406 projects, with a total project value of \$3.6 billion that address high priority health, public safety, recreation, library, and infrastructure needs.

- The proposed appropriation level reflects a decrease of \$123.6 million from the 2006-07 Final Adopt Budget, due to the completion of 93 projects in 2006-07.
- The Sustainable Design Program, approved by the Board as a component of the Energy and Environmental Policy, has been incorporated into the 2007-08 Capital Program with 20 projects to be commissioned for certification at a Silver level, or higher, under the United States Green Building Council's LEED Program and 33 projects that will incorporate sustainable, "green" elements with a potential for LEED certification.
- The 2007-08 Capital Program includes 17 projects that incorporate civic art, as planned under the Civic Art Policy.
- The appropriations are highlighted by the following projects:
  - \$429.4 million for public protection facilities such as construction of the new female barracks at the Pitchess Detention Center, refurbishment of the Sybil Brand Institute, design activities for the refurbishment of the Men's Central Jail, construction of a new Sheriff station and Probation field office in the unincorporated community of Athens, security improvements at Probation juvenile halls and camps, refurbishment and expansion of the Coroner's facility, and the construction of new fire stations in the Antelope and Santa Clarita Valleys.
  - \$228.1 million for 192 land acquisition and improvement projects at County beaches and parks, including the carryover of State Proposition 12 and 40 Bond Act funds.

- \$194.0 million for general government facilities, highlighted by the construction of a new animal shelter in the east Antelope Valley and a funding contribution toward the replacement of the Kenneth Hahn Hall of Administration.
- Other key projects:
  - \$189.7 million for health and mental health facilities, including the final year of construction on the LAC+USC Replacement Project, construction of the Harbor/UCLA Surgery/Emergency Room and Olive View Emergency Room/Tuberculosis Isolation Unit projects, and construction of a Mental Health Urgent Care Center on the Olive View Medical Center site.
  - \$119.1 million for construction of new or replacement libraries in the unincorporated areas of Acton/Agua Dulce, La Crescenta, Topanga Canyon, Lawndale, and East San Gabriel Valley and the refurbishment of the historic Patriotic Hall.
  - \$100.0 million for high priority infrastructure improvements at the County's fire, flood control, and aviation facilities, soil and groundwater investigation and remediation activities, and watershed testing efforts.

### **Financing Assumptions, Major Revenue Sources - Slide 45**

The Proposed Budget assumes a 6.0 percent growth in Property Tax, a 3.5 percent growth in Local Sales Tax, a 3.5 percent increase in Public Safety Augmentation Sales Tax and a 3.3 percent increase in State Realignment Vehicle License Fees (VLF).

### **State Budget Impact - Slide 46**

The Governor's proposed State Budget has substantially less of an impact to the County than in prior years due primarily to the passage of Proposition 1A. Proposition 1A, approved by voters in November 2004, prevents the State from arbitrarily reallocating local property taxes to reduce their cost for funding schools as they did in the past.

### **Governor's Proposed Budget Potential Impacts - Slide 47**

The Governor's proposed budget contains actions that if adopted could impact the County. These actions are not addressed in the County's Fiscal Year 2007-08 Proposed Budget pending legislative action on the Governor's proposals, but will need to be addressed if they are approved by the legislature. The potential State budget reductions not addressed in the Proposed Budget (with the exception of Health Care Workforce Development) include:

Negative Impact: \$44.0 million

- Integrated Services for Homeless Adults with Serious Mental Illness Program - \$17.0 million
- Substance Abuse Crime Prevention Act Program - \$7.0 million
- February 2008 Presidential Primary Election (Unfunded Costs) - \$20.0 million

Positive Impact: \$20.3 million

- Health Care Workforce Development - \$5.7 million
- Adult Probation Program - \$14.6 million

Total Estimated Cost Impact: (\$23.7 million)

The Proposed Budget does not include any impact of the Governor's proposals on corrections and health care reform.

**Potential Federal Budget Impact - Slide 48**

The President's FY 2008 Budget proposes major reductions to health, community development, justice, homeland security and social programs. We are actively working to ensure that Congress does not enact legislation to eliminate County priority programs, such as State Criminal Alien Assistance Program, the Community Services Block Grants, or to make deep cuts in other priority programs, such as the Community Development Block Grant and the Medicare and Medicaid Programs.

**This concludes the County of Los Angeles 2007-08 Proposed Budget presentation.**