

April 20, 2004

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

Dear Supervisors:

**FISCAL YEAR 2004-05 PROPOSED COUNTY BUDGET (3-VOTES)**

The FY 2004-05 Los Angeles County Proposed Budget total of \$17.148 billion reflects an increase of \$20.8 million in total requirements. General County funds reflect a net increase of \$ 2.7 million, which includes the General Fund (-\$63.0 million), Debt Service Funds (-\$0.5 million) and Hospital Enterprise Funds (+\$66.2 million). Special Districts/Special Funds reflect an increase of \$18.1 million.

<b>TOTAL REQUIREMENTS - ALL FUNDS - 2004-05</b> <b>(billions of dollars)</b>				
<b>Fund</b>	<b>2003-04 Budget</b>	<b>2004-05 Proposed</b>	<b>Change</b>	<b>% Change</b>
Total General County	\$ 13.789	\$ 13.792	\$ +0.003	+0.02
Special Districts/Special Funds	3.338	3.356	+0.018	+0.54
<b>Total Budget</b>	<b>\$ 17.127</b>	<b>\$ 17.148</b>	<b>\$ +0.021</b>	<b>+0.12</b>
Budgeted Positions	92,687.5	92,308.8	-378.7	-0.41

**BUDGET OVERVIEW**

Consistent with previous fiscal years, the FY 2004-05 Proposed Budget continues the County's conservative budgetary approach in response to the ongoing economic instability

on the national and State levels. Although voters recently approved the \$15 billion economic recovery bond to pay off the State's accumulated FY 2002-03 budget deficit, the State must still find solutions to its ongoing problems in the current and coming fiscal years. The Governor's proposed Budget, released in January 2004, poses an additional net \$459 million loss to Los Angeles County, including a \$289 million increased shift of property tax dollars to schools. The property tax shift, alone, will require curtailments in flexible County costs of 37.71 percent in General Fund departments. The impact of these proposals is not included in the Proposed Budget recommendations but, rather, will be addressed once the State adopts its budget.

In addition to impacts from State actions, the County continues to face financial challenges. In FY 2004-05, County departments are projecting a 17.3 percent increase in Workers' Compensation costs, increasing the budget amount to \$397.9 million; a 22.8 percent increase in retiree health insurance costs, increasing the budget to \$232.3 million; and an 87 percent increase in unemployment insurance, increasing the budget to \$7.6 million. This situation is exacerbated by the continued obligation to perform State mandates without the benefit of reimbursement (which has been deferred indefinitely), and the continuation of the \$11 million penalty assessment, resulting from the State's inability to implement an automated child support system as required by the federal government. The County has had to absorb these increases by making service curtailments as detailed below:

#### **ABSORPTION OF COST INCREASES**

- Alternate Public Defender - Reflects deletion of 3.0 Deputy Alternate Public Defender II positions and \$319,000, reducing staff assigned to defense of adults.
- Children and Family Services - Reflects elimination of \$4.7 million and 213.0 vacant administrative/support positions and reduced Services and Supplies, Other Charges and Fixed Assets without reducing services to children and families.
- Child Support Services Department - Reflects a reduction of \$3.6 million and the deletion of 73.0 budgeted positions, including 40 filled positions, and reduced Services and Supplies of \$2.5 million.
- Community and Senior Services - Reflects a \$0.5 million reduction in Services and Supplies costs.
- District Attorney - Reflects deletion of 23.0 Deputy District Attorney positions and \$2.5 million. The District Attorney has not identified specific curtailments; however, the impact of this reduction would most likely affect special prosecution units.

- Health Services - Reflects use of \$87.3 million from the Health Services designation, primarily to offset the loss of Section 1115 Waiver Medicaid Demonstration Project revenue and for increases for Board-approved salaries and employee benefits, as well as other fixed employee benefits including retiree health insurance, workers' compensation, and retirement debt service, and for increases in various other costs required to meet operational needs.
- Parks and Recreation - Reflects a reduction of \$618,000 and 17.6 positions which will result in the elimination of hourly recreation staff on Sundays at local and community regional parks; closure of Roosevelt and Jesse Owens Park pools between November 1 and January 31, when attendance is at its lowest; and the closure or transfer of the Catalina Island Interpretive Center.
- Probation - Reflects deletion of \$3.1 million and 54.0 Deputy Probation Officer and 7.0 support positions in the School-Based Supervision, Adult Investigation and Supervision, and the Kirby Intensive Continuing Care programs.
- Public Defender - Reflects deletion of 6.0 Deputy Public Defender positions and \$644,000, reducing staff assigned to defense of adults.
- Sheriff's Department - Reflects a reduction of \$34.8 million which temporarily reduces Services and Supplies funding to allow additional time to develop a curtailment plan prior to July 1.

## **FUNDING REDUCTIONS**

In addition to reductions related to the absorption of unavoidable cost increases, the County has also been forced to reduce programs due to the elimination or reduction of one-time, State or federal funding. Some of the major program reductions are:

- Children and Family Services - Reflects elimination \$10.6 million and 233.0 vacant administrative/support positions and reduced Services and Supplies, Other Charges and Fixed Assets to accommodate a reduction in State allocations without reducing services to children and families.
- Child Support Services Department - Reflects deletion of 79.0 budgeted positions and \$3.9 million to offset the loss of one-time funding.
- Community and Senior Services - Reflects a \$6.3 million decrease in gross appropriation and the elimination of 7.0 positions, primarily due to the elimination of one-time funding for the Los Angeles Homeless Services Authority, and reductions in federal funding and intrafund transfers for the Employment and Training, Aging and Adult Services and Refugee Assistance programs.

- Health Services - Reflects a reduction in Alcohol and Drug Programs Administration of \$12.1 million, which reflects a 7.4% reduction in contract services for substance abuse programs due to a reduction in State and federal funds.
- Health Services Administration - Reflects the elimination of 2.0 budgeted positions and funds of \$1.8 million for ambulatory care contract services for the Community Access Program due to the elimination of federal Health Resources and Services Administration (HRSA) grant funds.
- Mental Health - Reflects \$44.6 million in unspecified service reductions to address the deficit related to the elimination of one-time funding and the reduction of federal 1115 Waiver Medicaid Demonstration Project funding. The Department is in the process of developing a specific curtailment plan with stakeholders and community partners to restructure service delivery to achieve these savings. Final details on the components of the reduction will be submitted in the Final Changes phase of the budget process, and are expected to focus primarily on services to the uninsured.
- Mental Health - Reflects the elimination of 29.0 positions and \$3.2 million in revenue related to the expiration of grant funding for the Community Reintegration of Mentally Ill Offenders (CROMIO), Mentally Ill Offender Crime Reduction (MIOCR) and the Supportive Housing Initiative Act (SHIA) programs.
- Probation - Reflects deletion of \$1.9 million and 30.0 Deputy Probation Officer and 3.0 support positions in the School-Based Supervision and Operation Read programs, due to deletion of one-time funding. Also reflects a \$4.7 million reduction in State Juvenile Justice Crime Prevention Act funding.
- Public Defender - Reflects deletion of 4.0 Psychiatric Social Worker II positions and \$340,000, providing the Post Disposition Program due to elimination of one-time funding.
- Public Library - Reflects a \$8.8 million decrease in unspecified Services and Supplies due to the elimination of one time funding.
- Sheriff's Department - Reflects a reduction of \$2.0 million and 28.0 positions primarily due to the expiration of the State Cold Hit Grant and a reduction in State Citizens' Option for Public Safety (COPS) funding. Specific program reductions will be identified in the Final Changes phase of the budget process.

## **OTHER CHANGES**

Other major changes recommended in the budget include:

- A recommendation that the retirement buydown program, reducing the County's reliance on surplus earnings, be continued. Also recommended is the continued use of the advance funding mechanism to take advantage of projected interest earnings to reduce a portion of retirement costs for Fiscal Years 2004-05 and 2005-06.
- Child Support Services - Reflects \$521,000 for the implementation of the Board-approved Compromise of Arrears Program which is intended to enhance the collection of child support payments in arrears by allowing the Department to accept compromise offers when amount is less than \$5,000.
- Fire - Reflects \$5.852 million, including the addition of 48.0 budgeted positions (four 24-hour post positions) for fire protection and emergency services to the residents of Signal Hill and the annexation of the City of La Habra into the Consolidated Fire Protection District (fully offset by increased property tax revenue).
- Fire - Reflects \$2.666 million and 21.0 budgeted positions, including paramedic costs to provide emergency services to the residents of the Santa Clarita Valley and surrounding areas and hazardous material costs for the establishment of a new hazardous materials squad in the Antelope Valley.
- Health Services - Reflects \$14.1 million for an increase of 339.3 budgeted positions, primarily to facilitate achievement of System Redesign restructuring initiatives, to enhance patient care-related activities and emergency/trauma services, and to address unmet operational needs, including 77.0 positions to address the Department's critical unmet information technology needs, 62.0 positions to enhance patient care-related activities, 49.0 positions related to the LAC+USC Replacement Project, 35.0 positions primarily to improve contract monitoring, materials management and nurse recruitment and retention activities, 33.0 positions for revenue-generating activities in the Consolidated Business Office, 32.0 positions in the Office of Managed Care related to Medi-Cal Managed Care, the Healthy Families and In-Home Supportive Services Provider Health Care Programs, 27.0 positions related to trauma and emergency services and the Bioterrorism Program, and various other changes for a net increase of 24.3 budgeted positions.
- Registrar Recorder - Reflects \$15.0 million Help America Vote Act (HAVA) funding to acquire hardware and software necessary to ensure that the InkaVote system is in compliance with HAVA requirements (fully offset by HAVA revenue).
- Sheriff's Department - Reflects \$600,000 and 4.0 positions to implement the Board-

approved Traffic School Monitoring Program, fully offset by traffic school monitoring fees collected by the Los Angeles Superior Court.

## **IMPLEMENTATION OF PERFORMANCE COUNTS**

*Performance Counts!* is the County of Los Angeles' common framework for reporting performance measurements. It reflects the dual focus of the County's Mission statement, "to enrich lives through effective and caring service," by reporting results achieved from County services and interventions, as well as how well the services were provided. Implementation began in December 2002 with the first revision of the County Strategic Plan which included the addition of a strategy to improve organizational effectiveness by implementing a countywide performance measurement reporting framework. A pilot to develop the common framework was initiated in four County departments in early 2003. The goal was to develop a framework to report results that could be used with any performance measurement methodology employed by any County department.

The resulting framework, *Performance Counts!*, was rolled-out countywide in late 2003. For each County program, the framework requires: a Program Description; a Program Result statement to specifically identify the client population served and the result to be achieved by the County services/interventions; Program Indicators to measure the achievement of the Program Result; and Operational Measures, to measure the effectiveness of service delivery from the organizational perspective, including measures such as workload, resources expended, efficiency, and customer satisfaction.

The *Performance Counts!* performance measurement reporting framework is being reflected for the first time for all County departments in the 2004 Proposed Budget; the number of programs with *Performance Counts!* measures vary from department to department. Plans for 2004-2005 include an additional pilot to link *Performance Counts!* to budget detail, and continued refinement and expansion of *Performance Counts!* to all County programs.

## **CAPITAL PROJECTS/REFURBISHMENTS**

The 2004-05 Proposed Budget appropriates \$521.9 million for continued development, design, and construction of projects that address high priority health, public safety, recreation, and infrastructure needs. Such projects include the LAC+USC Medical Center Replacement Project, for which the Proposed Budget incorporates \$241.1 million to support construction activities in 2004-05. This appropriation is offset by State and federal disaster assistance funds and short-term financing sources.

The Proposed Budget also reflects continued funding for design of a County-wide Data

Center and a new Sheriff station in the unincorporated area of Athens, construction of a Sheriff station in the City of Palmdale, and further development and construction of the East Los Angeles Civic Center. Additional funding has also been included to support State grant applications for new libraries in Acton-Agua Dulce, Lawndale, East San Gabriel Valley, and Topanga Canyon and to reflect increased State funding under Propositions 12 and 40 for recreation related projects.

**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 20, 2004
Commence public budget hearings	May 12, 2004
Commence final budget deliberations, and adopt final budget upon conclusion	June 21, 2004

**Prior to deliberations on the FY 2004-05 Final Budget, we will file reports on:**

- May revisions to the Governor's budget and updates on other FY 2004-05 State and federal budget legislation and the 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 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 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 on the "permanent record" require a 4/5 vote.

### **THEREFORE, IT IS RECOMMENDED THAT YOUR BOARD:**

1. Order such revisions, additions, and changes to the Chief Administrative Officer's budget recommendations as deemed necessary, and approve the revised figures as the Proposed Budget for FY 2004-05; instruct the Auditor-Controller to have the necessary copies printed; order the publication of the necessary notices; and set May 12, 2004, as the date on which public budget hearings will begin.
2. Approve continued discounted prepayment on the County's retirement contribution and authorize the Chief Administrative Officer to negotiate with the Los Angeles County Employees' Retirement Association of the County's behalf in this regard.

Respectfully submitted,

DAVID E. JANSSEN  
Chief Administrative Officer