



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
 (213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
 Chief Administrative Officer

April 18, 2006

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:

Board of Supervisors
 GLORIA MOLINA
 First District

YVONNE B. BURKE
 Second District

ZEV YAROSLAVSKY
 Third District

DON KNABE
 Fourth District

MICHAEL D. ANTONOVICH
 Fifth District

FISCAL YEAR 2006-07 PROPOSED COUNTY BUDGET (3-VOTES)

The Fiscal Year 2006-07 County of Los Angeles Proposed Budget total of \$19.377 billion reflects a decrease of \$503.1 million in total requirements. General County funds, including the General Fund (\$13.732 billion), Debt Service Fund (\$9.5 million) and Hospital Enterprise Funds (\$1.722 billion), reflect a net decrease of \$234.3 million. Special District/Special Funds reflect a decrease of \$268.9 million.

The \$503.1 million overall reduction to the 2006-07 Proposed Budget is the result of eliminating the one-time use of fund balance generated in Fiscal Year 2004-05 (-\$286.9 million), the reversal of cancellations of reserves/designations (-\$351.1 million), reductions to funding in Special Funds and Districts (-\$269.0 million), and various workload/caseload reductions (-\$152.8 million), partially offset by new program requirements (\$557.2 million) as further detailed in this report.

TOTAL REQUIREMENTS - ALL FUNDS - 2006-07 (billions of dollars)				
Fund	2005-06 Budget	2006-07 Proposed	Change	% Change
Total General County	\$15.697	\$15.463	-0.234	-1.49
Special District/Special Funds	4.183	3.914	-0.269	-6.43
Total Budget	\$19.880	\$19.377	-0.503	-2.53
Budgeted Positions	95,674.5	98,622.7	2,948.2	+3.08

BUDGET OVERVIEW

The 2006-07 Proposed Budget builds upon last year's budget that focused on funding public protection and health services needs. This year's budget once again provides funding for public protection and health services, but also provides additional resources to enhance critical children's programs and to augment the homeless services provided by the County.

Public Protection

The 2006-07 Proposed Budget continues the restoration of inmate beds that were reduced during past fiscal years due to budgetary constraints. The Sheriff's budget reflects funding of \$31.4 million to restore 953 inmate jail beds and adds 60.0 positions throughout the custody system. In addition, the Proposed Budget adds \$9.2 million in funding for the Sheriff to complete the re-opening of the Century Regional Detention Facility as a women's only jail. The Proposed Budget also sets aside \$25.0 million in a General Fund designation for future security enhancements to the Sheriff's custody system.

Children Services

The Proposed Budget recommends \$16.6 million and 466.0 positions in programs that will help improve permanence and safety for children and reduce social worker's caseloads for the Department of Children and Family Services. The Proposed Budget recommends increase in funding and staffing for the following essential programs:

<u>Program Changes</u>	<u>Net Cost</u>	<u>Positions</u>
Concurrent Planning Redesign	\$8.7 million	229.0
Permanency Partners Program (P3) Expansion	\$2.4 million	94.0
Emergency Response Staff	\$2.2 million	55.0
Team Decision Making (TDM)	\$2.0 million	49.0
Kinship Support	\$1.1 million	35.0
Mentoring Program	\$0.2 million	4.0

Homeless and Housing Programs

The Proposed Budget establishes a new General Fund budget unit exclusively for homeless and housing programs. The new budget unit will centralize County funding to finance a variety of services to be provided to the County's homeless population. The Proposed Budget recommends the transfer of \$6.0 million of existing funding into this new budget.

Budget's Economic Outlook

Consistent with previous fiscal years, the 2006-07 Proposed Budget continues the County's conservative budgetary approach in response to the ongoing budgetary instability at both the national and State level. Although the economic outlook for Los Angeles County is positive, with modest job growth predicted in the County, a number of concerns remain. A sharp slowdown in the resale housing market presents the biggest risk to the County and could have a negative impact on property taxes. Property taxes, which account for approximately twenty-one percent (21%) of the County's overall revenue and approximately sixty-five percent (65%) of the County's locally generated revenue, is the County's most important source of financing.

Potential State/Federal Budget Impacts

State Budget

The Governor's proposed State Budget, released in January 2006, has substantially less of an impact to the County than in prior years due in part to the passage of Proposition 1A. Proposition 1A prevents the State from reallocating local property taxes to meet their obligation to fund schools. The Governor's Budget, among other things, proposes to continue the suspension of the Property Tax Administration Grant Program (PTAP) (\$13.5 million) and reduces funding for the CalWORKs Programs (\$88.2 million), for an overall estimated \$105.0 million loss of revenue. This reduction is partially offset by \$78.8 million from the partial repayment of deferred mandates and the FY 2004-05 Proposition 42 loan, continuation of the Proposition 36 Program, and funding for election cost reimbursement. The estimated net loss to the County is approximately \$26.2 million.

The impacts of any new State proposed reductions are not included in the Proposed Budget. Upon adoption of the State Budget for FY 2006-07, my office will provide recommendations to the Board to align State budget action with the County's budget.

Federal Budget

On February 6, 2006, President Bush released his proposed budget for Federal Fiscal Year 2007, which begins on October 1, 2006. Major reductions are proposed for the health, community development, justice and social services programs. The Governor's budget does not recognize these potential impacts and, therefore, we have not incorporated any potential impact in the Proposed Budget.

Summary of Major Funding Recommendation by County Program Area

The following highlights some of our other major recommendations in the Proposed Budget:

Appropriation for Contingencies - Overall Appropriation Increase of \$32.1 million

The Proposed Budget recommends a General Fund Appropriation for Contingencies of \$32.1 million. This amount is available be used to fund high priority County projects or initiatives.

Public Safety - Overall Appropriation Increase of \$131.2 million

- The Sheriff's Budget reflects the second year of funding of a four-year plan to improve medical services with the Sheriff's custody system. The plan provides \$10.0 million in funding and adds 154.0 positions.
- The Proposed Budget recommends \$12.0 million to supplement a General Fund designation for Interoperability and the Consolidated Fire/Sheriff-Office of Public Safety (OPS) Communication System Project.
- The Sheriff's budget reflects \$2.7 million in funding and adds 40.0 positions for operational costs associated with opening the new crime laboratory.
- The Office of Public Safety budget reflects \$2.7 million and adds 32.0 positions for enhanced security services to address increased gang activities at various County parks.

Justice Services - Overall Appropriation Increase of \$45.6 million

- The Probation Department's budget reflects \$17.4 million and 270.0 positions to fully implement the corrective actions at the three (3) juvenile halls pursuant to the settlement agreement with the Department of Justice. The budget also adds \$2.0 million and 30.0 positions for staff development and training.
- Funding for the creation of DNA units totaling \$4.5 million is being provided to the Alternate Public Defender (\$1.1 million), the District Attorney (\$1.7 million) and the Public Defender (\$1.7 million) to address increased workloads from the passage of Proposition 69 DNA Fingerprint, Unsolved Crime and Innocence Protection Act. This adjustment also adds 30.0 positions.

Health and Mental Health - Overall Appropriation Increase of \$105.8 million

- The Mental Health Department's budget contains \$48.2 million in service reductions to address the Department's projected structural deficit. While \$7.1 million in service reductions to uninsured clients have been identified, the Department plans to develop a specific curtailment plan with stakeholders and community partners to restructure the service delivery system to achieve the remaining \$41.1 million in service reductions needed. Actual implementation of any required curtailments will be delayed until after the FY 2005-06 County accounting records have been closed in anticipation of year-end revenue surpluses.
- The Department of Mental Health's budget includes a General Fund overmatch of \$2.1 million for the Public Guardian. This overmatch adds 16.0 positions to enhance probate conservatorship services and reduce caseloads and investigation times.
- The Department of Health Services' budget reflects the use of \$151.0 million from the Department's designation and funds approved by the Board in FY 2005-06 from the Designation for Future Health Financing and anticipated in the Department's fiscal forecast. The Proposed Budget recommendations fund approximately \$156.0 million in increased operational costs, including additional resources related to nurse staffing requirements for hospital units, and a \$233.2 million reduction in available one-time funds from the Department's designation. The Proposed Budget reflects \$94.0 million in additional revenues for the Department, related to a managed care supplemental rate, pending discussion with State and federal officials. The recommendations include an additional \$47.0 million General Fund contribution in the General Fund Designation for Health Future Financing Requirements, as the intergovernmental transfer amount required to generate the managed care supplemental rate revenues. The Proposed Budget also includes a net increase of 828.7 budgeted positions, over half of which are for nurse staffing, and increased services and supplies costs to meet operational needs at the County's hospitals and health facilities.

Social Services - Overall Appropriation Decrease of \$79.4 million

- The Department of Public Social Services' CalWORKs Assistance budget reflects an appropriation reduction of \$103.3 million based upon projected caseload reductions, as well as projected reductions in cost per case expenditures from the prior year budgeted levels.

- The Department of Public Social Services' In-Home Supportive Services (IHSS) budget reflects \$8.2 million in funding for a projected IHSS caseload increase of 3.7 percent from the FY 2005-06 budgeted levels.
- The Department of Community and Senior Services' budget reflects \$1.7 million in funding for repairs and maintenance of service and senior centers.

General Government - Overall Appropriation Increase of \$91.5 million

- The Assessor's budget reflects a \$10.0 million increase in funding due to the State's two-year suspension of the PTAP.
- Utilities managed by the Internal Services Department are projected to increase by \$16.6 million primarily due to rate increases for electricity and natural gas.
- The Department of Regional Planning and Department of Public Works includes \$2.7 million to backfill funding for the Code Enforcement and Property Rehabilitation Programs.
- The Auditor-Controller's budget reflects funding of \$2.6 million for eCAPS midrange computing and maintenance costs increases required to implement the new eCaps Budget System.
- The Arts Commission's budget reflects funding of \$1.1 million of grant funding to promote organizational stability for non-profit art organizations.
- The Treasurer and Tax Collector's budget reflects increased funding of \$0.4 million and adds 5.0 positions for the Countywide eCommerce initiative.

Funding recommendations for FY 2006-07 include \$50.0 million to continue the multi-year effort to reduce reliance on Los Angeles County Employees Retirement Association (LACERA) excess earnings. The budget also includes increases in salaries and employee benefits from negotiations with all of the County's bargaining units.

Capital Projects/Extraordinary Maintenance Programs/Debt Service Funds - Overall Decrease in Appropriation of \$92.4 million

The Proposed 2006-07 Budget appropriates \$781.6 million for continued development, design, and construction of projects that address high priority health, public safety, recreation, and infrastructure needs. The proposed appropriation reflects a General Fund decrease of \$92.4 million from 2005-06. Overall, 107 projects were completed.

The proposed 2006-07 appropriation allocates \$626.9 million for General Fund projects, including construction of the County Data Center, construction of a new Sheriff station and Probation field office in the unincorporated community of Athens, refurbishment of the operating rooms and psychiatric emergency room at Martin Luther King Jr./Drew Medical Center, and the investigation and remediation of brownfields.

The General Fund appropriation also reflects increased funding for new improvements at County parks and beaches under the State's Proposition 12 and 40 Bond Acts and additional funding to enhance unincorporated area services through new or replacement libraries in La Crescenta, Topanga Canyon, Whittier, and Lawndale.

The Proposed 2006-07 Budget also appropriates \$99.0 million to complete construction of the \$820.6 million LAC+USC Medical Center Replacement Project which is scheduled for completion in the spring of 2007, as well as \$52.5 million for high priority improvements to the County's fire, flood control, and aviation facilities.

The Extraordinary Maintenance budget reflects a proposed appropriation of \$88.3 million in 2006-07 for high priority repairs and maintenance needs at County facilities, including probation camps and juvenile halls, parks in unincorporated areas and other departmental facilities.

PERFORMANCE COUNTS!

Performance Counts! is the County of Los Angeles' common framework for reporting performance measurement of programs and services. Through *Performance Counts!* every County department answers three basic questions about their programs and services:

1. What is the intended result of the program?
2. To what degree is the County achieving this result?
3. How well did the process work to achieve this result?

To answer these questions, the *Performance Counts!* framework consists of the following elements: Program Result - a statement of the intended consequence from the specific services or interventions provided for the specific population served; Program Indicator - a measure for which data is available that reflects degree of achievement of a Program Result, and Operational Measure - a measure of how well a program, agency or service system is working, e.g., input (resources used), workload/output, efficiency and/or quality.

Implementation of *Performance Counts!* is a multi-phased effort. The first phase involved having *Performance Counts!* information and data for all County departments

reflected in the 2004-05 Proposed Budget. In preparation for the 2005-06 Proposed Budget, seven County departments participated in a pilot project to align their *Performance Counts!* programs with their budget detail. This effort allowed *Performance Counts!* data to be evaluated consistent with department budget information, rather than separately, in order to help answer the question "What resources are invested to achieve what result?" For the 2006-07 Proposed Budget, 12 additional departments have achieved alignment between their *Performance Counts!* programs and their budgets. All other County departments are scheduled to reflect budget alignment in the 2007-08 Proposed Budget.

Another component of the *Performance Counts!* initiative that is geared to increase use of performance data in making management decisions is the "Stats" effort. The Department of Public Social Services piloted the DPSSStats project last year; consistent with this project, the Department held regular meetings where accurate and timely performance data was presented and analyzed by all key managers with any role in providing the subject services, creating a forum for addressing data trends, establishing targets and following up to gauge progress. In 2006-07, additional Stats efforts are planned for individual departments, as well as a multi-departmental Stats initiative among municipal service departments participating in the Florence-Firestone Community Enhancement Team project in order to pilot development and analysis of measures for which multiple departments share responsibility.

CHILDREN AND FAMILIES BUDGET

The Children and Families Budget is an addendum to the Proposed Budget that identifies proposed County funding for programs serving children and families and links program performance data with budget allocations, actual expenditures, and funding sources. The FY 2006-07 Children and Families Budget includes a proposed net appropriation of \$5.0 billion. This reflects less than a quarter percent (0.25%) decrease of \$11.2 million as compared to the FY 2005-06 budget. The FY 2006-07 proposed spending for programs serving children and families accounts for twenty-one percent (21%) of the total County Proposed Budget. Nineteen County departments and two commissions have submitted 93 programs for inclusion in the Children and Families Budget.

The Children and Families Budget is intended to be a decision-making tool that measures and communicates the effect County programs are having, both individually and collectively, on improving the lives of children and families, as measured by achievements in the five outcome areas adopted by the Board of Supervisors: good health; safety and survival; economic well-being; social and emotional well-being; and education/workforce readiness. It is also designed to provide a better picture of how

much is being spent in the County in support of children and families, how those resources are being used, and how children and families are faring as a result.

The FY 2006-07 Budget represents year five of a five-year implementation plan - each department that delivers services for children and families has provided individual program budgets and performance measures for 100 percent of its programs.

TIMETABLE

Approved schedule for budget hearings and deliberation is as follows:

Board Action	Approval Date
Adopt Proposed Budget; Order Printing, Notice and Distribution; and Schedule Hearings	April 18, 2006
Commence Public Budget Hearings	May 10, 2006
Commence Final Budget Deliberations and Adopt Final Budget Upon Conclusion	June 26, 2006

Prior to deliberations on the FY 2006-07 Final Budget, we will file reports on:

- May revisions to the Governor's Budget and updates on other FY 2006-07 State and federal budget legislation and the impact on the County's Proposed Budget;
- Final revisions reflecting the latest estimates of requirements/available funds;
- Issues raised in public hearings or written testimony;
- 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.

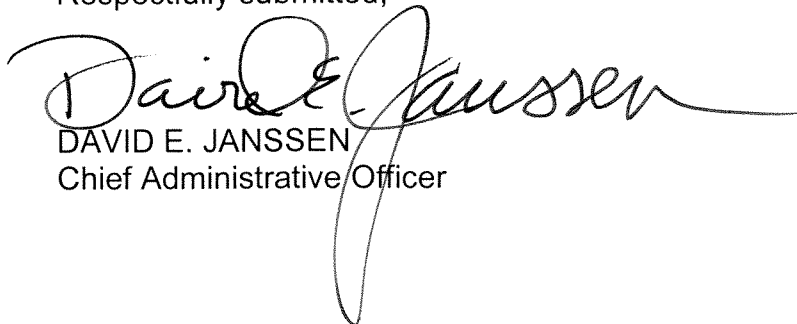
- The documentation must be available for consideration by the public at least 10 days prior to the commencement of public budget hearings.

- 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.
- Pursuant to 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 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 deemed necessary and approve the revised figures as the Proposed Budget for FY 2006-07; instruct the Auditor-Controller to have the necessary copies printed; order the publication of the necessary notices; and set May 10, 2006 as the date that public budget hearings will begin.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer