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NEWS RELEASE

COUNTY OF LOS ANGELES

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COUNTY BUDGET: A CHALLENGING YEAR

Acknowledging the County is facing a challenging financial year, Chief Executive Officer William T Fujioka today unveiled a \$21.9 billion proposed 2008-09 county budget that calls for a slight decrease in spending and positions, but no layoffs or major program cuts.

The County's current fiscal condition is the result of the Board of Supervisors' strong fiscal policies and conservative approach to the budget in past years. Due to the uncertainty surrounding the extent and duration of the current economic downturn, Fujioka said, the County should continue to exercise this same conservative approach in the management of the budget.

The spending plan, 2.61 percent lower than the present \$22.5 billion budget, reflects the current state of the economy and lower tax revenues. Fujioka cautioned that it does not reflect potential impacts of threatened state and federal cuts, so those issues must still be addressed once the respective budgets are finalized.

Despite the weakened economy, the budget funds a number of critical programs and continued development of high-priority capital projects, including \$1.5 billion for new jails, fire stations, health facilities, animal shelters, libraries and infrastructure.

Funding was provided for high priority programs, collaborative initiatives and projects that produce ongoing efficiencies. Providing one-time funding for initiatives to create ongoing efficiencies will result in lower costs to the County.

This is the first year that the budget has been drafted under the County's new administrative structure, which has resulted in a more collaborative effort in identifying high-priority programs, ways to streamline processes and elimination of duplicative efforts.

CEO staff will continue throughout the year to work with departments to identify additional efficiencies and opportunities for improved service delivery. Special emphasis will be given to implementing innovative technology projects and continuing a

collaborative approach by departments in solving their problems and providing services.

The budget will be formally presented to the supervisors Tuesday (April 22) for adoption to allow public hearings to be scheduled. Hearings are proposed to begin May 7, with the Board deliberations on June 16. The County's fiscal year begins July 1.

A 35-position decrease in employee count, bringing the County workforce to 102,240, would still maintain the County's ranking as the largest employer in the five-county region.

A total of \$36.1 million was eliminated from some departments' budgets, but the reductions would not impact current services as the funding cuts were from long-term vacancies or other savings. The Department of Health Services has a net decrease of 111 positions, the largest of any department, while the Sheriff's Department is targeted to receive 240 more positions.

The impacts of the threatened significant cuts in state and federal funding are not yet known so are not reflected in the budget. The budget does include a decrease of \$127 million for health services; a plan for addressing the department's structural deficit will be presented to the Board in June.

Among major recommendations included in the proposed budget are:

Public Safety:

\$10 million for final year of a four-year plan to improve medical services within the sheriff's custody system.

\$3.9 million for the Sheriff's Operation Safe Streets program to enhance gang enforcement and criminal investigations, and \$3.6 million for summer gang suppression program.

\$5.6 million to increase patrols in unincorporated areas.

\$900,000 to implement a vandalism enforcement team; \$700,000 to enhance prosecution of high-tech crimes; and \$1 million to enhance a program to improve literacy skills of juveniles at probation camps and halls.

\$1 million to implement a program that would allow youth to report to a day center instead of being institutionalized in a probation facility; \$2 million for mental health services for juveniles in probation camps and halls; and \$2.1 million for the Alternate Public Defender to reduce the escalating cost of contract defense attorneys.

\$6.5 million for the Fire Department to handle increased demands for emergency and preventive services.

Children and Families Well-Being

\$30.6 million to handle cost increases of the In-Home Supportive Services program; \$4.1 million for additional General Relief recipients; \$4.3 million for critical infrastructure repairs at community and senior centers; and \$3.7 million to handle 8.3 percent increase in caseloads in the adoption assistance program.

\$12.4 million to implement additional provisions required of the Katie A. settlement for foster children to meet 30-day hearing requirement for persons appealing the loss of welfare benefits; and restructuring of Children and Family Services to strengthen investigative operations for child deaths and to improve procurement and inventory management.

Health and Mental Health:

\$7.2 million for a program to provide intensive mental health services in a locked setting as alternative to jail and hospitalization; \$3.2 million for mental health court program to transform the type of services provided to mentally ill individuals involved in the criminal justice system; \$500,000 to enhance services to conservatees and to reduce caseloads; and \$2.6 million for a new smoking cessation program.

Community and Municipal Services:

\$1.7 million for improvements at six animal care shelters and \$2.5 million to address staffing shortage at the shelters; and \$2 million for increased operating costs at the Museum of Art due to opening of Broad Contemporary Art Museum and a parking garage.

Operations:

\$1.4 million, offset by revenue, for implementation of a program that will truncate Social Security numbers on recorded documents by Registrar-Recorder/County Clerk to protect against fraud.

Capital Projects:

The \$1.5 billion capital projects budget is \$183.8 million less than the current budget due to the completion of 129 projects in 2007-08, including the County+USC Medical Center Replacement Project. The new projects reflect the County's commitment to increased sustainability and a reduction in energy and resource consumption, with "green-building" technologies incorporated into the designs of 162 projects.

Among the recommended capital projects are \$523 million for public protection facilities, including refurbishment of Men's Central Jail, new barracks at Pitchess Detention center, construction at Sybil Brand Institute and Biscailuz Center Training Academy, new fire stations in Santa Clarita Valley, refurbishment and expansion of the coroner's facility; security improvements at juvenile halls and camps, construction of a new animal

shelter in the east Antelope Valley, and new spay and neuter clinics at three shelters.

Other projects include construction of a new countywide data center in Downey; a mental health urgent care center at Olive View Medical Center; a multi-service ambulatory care center in Lancaster; new libraries in La Crescenta, Topanga Canyon and a yet-to-be identified site in an unincorporated area of East San Gabriel Valley; and refurbishment of the South Health Center and historic Patriotic Hall.

The budget is based on a continuous decline in the real estate market. The resale housing market presents the biggest risk to the County, Fujioka said, because it might negatively impact property taxes, the County's most important source of revenue. Property taxes account for approximately 22 percent of the overall revenue and approximately 62 percent of the locally-generated revenue.

Even with the downturn in the economy, the budget projects a 5 percent growth for property taxes, down from the 9 percent in 2007-08. The appreciation in home values over the last five years would help offset any future valuation reductions, but if declines continue for several more years, the property tax base would likely be affected.

Retail sales are expected to remain difficult in 2008 and 2009. Prior fiscal years saw double-digit growth in taxable sales, but the 2008-09 budget reflects growth ranging from 1 percent to 3.5 percent, depending on programs.

Overall the County, because of its fiscal practices, is in good shape to deal with these challenges, said Fujioka.