

County of Los Angeles 2009-10 Proposed Budget



***“To Enrich Lives Through
Effective and Caring Service”***

2009-10 Proposed County Budget



Submitted to the
Board of Supervisors

by
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and
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FY 09-10 Budget Introduction



- This FY 2009-2010 County Budget preserves critical County programs despite the economic downturn, the budget deficits at the State and federal levels, and the declines in the County's local revenue sources. The County Budget will maintain core services, and reduce costs without the layoff of employees.
- A balanced approach has been used in formulating the County Budget whereby departments have curtailed their budgets and eliminated vacant positions, while tapping one-time reserves that have accumulated over the years to bridge the gap caused by a temporary economic downturn. The use of federal stimulus funds will be maximized.

FY 09-10 Budget Introduction



- By reducing budgets of departments, we are decisively addressing a structural deficit caused by the revenue shortfall; and by using reserves we create the flexibility needed to maintain essential programs as we assess the changing economy and its long-term impact on the County.
- Uncertainty surrounding the State Budget remains a critical concern, as it has the potential for further impacting the County's ability to continue needed public service levels.
- The State Budget is dependent on the successful passage of several propositions, which is anticipated to provide at least \$5.8 billion in solutions, and the upcoming State Budget Revision will provide an indication of the State revenue situation and proposed remedies. Therefore, further adjustments may be required in the County Budget as the State Budget situation is clarified.

2009-10 Proposed Budget (\$ in Billions)



Fund	FY08-09 Adopted Budget	FY09-10 Proposed Budget	Change From Budget	% Change From Budget
Total General County	\$ 18.171	\$ 18.044	\$ -0.127	-0.7%
Special Funds/Districts	5.043	4.755	-0.288	-5.7%
Total Budget	\$ 23.214	\$ 22.799	\$ -0.415	-1.8%
Budgeted Positions	102,458.0	100,774.0	-1,684.0	-1.6%

Proposed Budgetary Overview



- The 2009-10 Proposed Budget is shaped largely by the impact of the deep recession that is impacting all levels of government and the economy.
- The nation, California, and the County continue to struggle with what may be the worst recession and economic crisis in many decades. This downward spiral was heightened by a sudden and deep financial crisis to the nation's capital markets. The County was hit especially hard as unemployment in the County soared to 10.9 percent in February 2009, climbing 4.8 percent from February 2008, which was 6.1 percent.
- The near-term outlook for the nation and California remains poor as most economists project that the national and State economy will continue to shrink through 2009.

Proposed Budgetary Overview



- For the first time since the mid-1990s, the Assessor is projecting an overall reduction of approximately one percent (1%) in assessed property valuation due to the continued downward spiral of housing values.
- The rise of unemployment has swelled the ranks of those seeking public assistance from the County, causing caseloads and costs to increase accordingly.

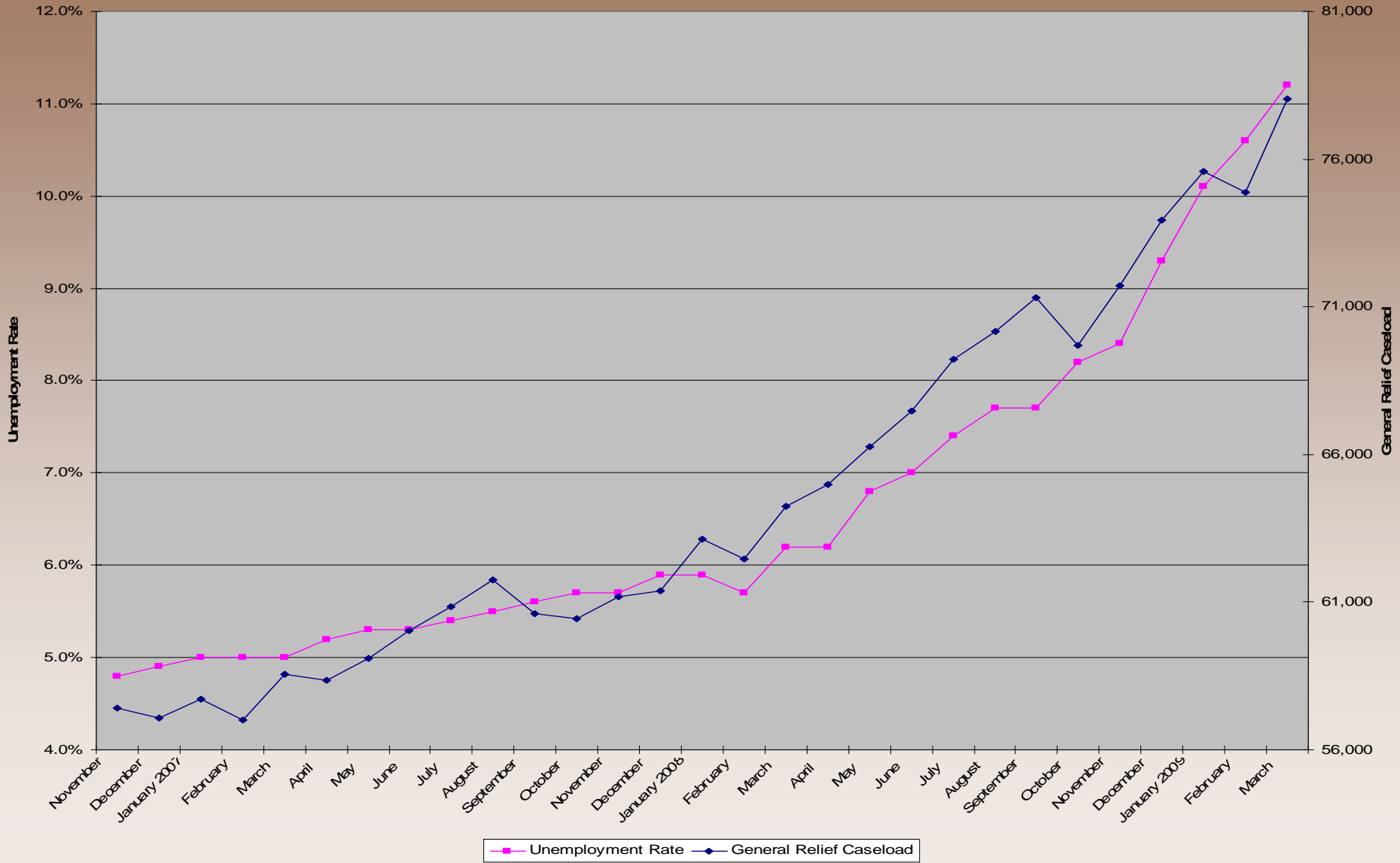
Proposed Budgetary Overview



Public Assistance Program	FY 08-09 Adopted Budget	FY 09-10 Proposed Budget	Change from FY 08-09 Adopted	% Change from FY 08-09 Adopted
General Relief Caseload Per Month	67,324	84,062	16,738	+24.9%
General Relief NCC	\$ 172,583,000	\$ 214,189,000	\$ 41,606,000	+24.1%
In Home Supportive Services Caseload *	178,016	191,825	13,809	+7.8%
In Home Supportive Services NCC	\$ 317,530,000	\$ 344,486,000	\$ 26,956,000	+8.5%

* Annual Caseload

COMPARISON: CA Unemployment Rate and LA GR Caseload (Nov 2006 – Mar 2009)



Financing Assumptions - Locally Generated Revenues



Major Revenue Source	FY 08-09 Adopted Budget	FY 09-10 Proposed Budget	Change from FY 08-09 Adopted	% Change from FY 08-09 Adopted
Property Tax	\$ 3.840 billion	\$ 3.802 billion	- \$38.4 million	-1.0%
Local Sales Tax	\$ 43.8 million	\$ 41.2 million	- \$2.6 million	-5.9%
Public Safety Augmentation (Prop 172 Sales Tax)	\$ 630.7 million	\$ 594.3 million	- \$36.4 million	-5.8%
Interest Earnings	\$ 92.5 million	\$ 40.0 million	- \$52.5 million	-56.8%
Deed Transfer Tax	\$ 56.4 million	\$ 38.7 million	-\$17.7 million	-31.3%

Primary Drivers of Budget Changes



2009-10 NCC Budget Gap (Totaling \$300.4 million)

- ✓ Revenue Reductions - \$145.5 million
- ✓ Assistance Caseload Increases - \$94.9 million
- ✓ Net Program Cost Changes - \$5.6 million
- ✓ Unavoidable Cost Changes - \$54.4 million

2009-10 NCC Budget Gap Solutions (Totaling \$300.4 Million)

- ✓ Ongoing Departmental Budget Curtailment - \$107.2 million
- ✓ One-Time Bridge Funding - \$115.5 million
- ✓ Federal Stimulus Funding - \$77.7 million

Primary Drivers of Budget Changes



Budgeted Position Reductions

To address a structural deficit driven by challenges in the national, state and local economies, 1,684.0 net budgeted positions were deleted from the County Budget. The majority are vacant positions. No layoffs are anticipated at this point in time. The following is a list of reduced positions in large departments:

- ✓ Public Social Services – 899.0 positions reduced
- ✓ Health Services – 165.0 positions reduced
- ✓ Public Health – 141.0 positions reduced
- ✓ Parks and Recreation – 119.0 positions reduced
- ✓ Child Support Services – 104.0 positions reduced
- ✓ Registrar-Recorder/County Clerk – 80.0 positions reduced
- ✓ District Attorney – 70.0 positions reduced
- ✓ Internal Services – 52.0 positions reduced
- ✓ Public Library – 51.0 positions reduced
- ✓ Office of Public Safety – 50.0 positions reduced
- ✓ Sheriff – 9.0 positions reduced

Impact of Budget Recommendations



Major changes included in the FY 09-10 Proposed Budget include:

Arts Commission

- Elimination of the free concert and Arts Internship Programs and the elimination of 6.0 vacant positions (\$0.8 million).

Beaches and Harbors

- Deletion of 8.0 vacant positions as well as a \$2.0 million reduction in the annual contribution to the Marina Replacement A.C.O. fund.

District Attorney

- Deletion of 60.0 positions in administration, the Juvenile Offender Intervention Network (JOIN) program, and the Bureau of Investigations, including 9.0 positions cut to offset increasing operating costs for services provided by other departments. Also reflects the deletion of 10.0 positions as a result of decreased California Work Opportunity and Responsibility to Kids (CalWORKs) funding, and a reduction of 56.0 part-time Law Clerks and Student Worker positions.

Impact of Budget Recommendations



Health Services

- Reduction in the Department's 2009-10 Proposed Budget, which reflects a \$257.3 million placeholder. A separate report will be issued on proposals to address the structural deficit in the Department's operating budget.
- Decrease of 165.0 net budgeted positions, primarily associated with the phasing out of vacant unused positions at the Department's facilities as part of an effort to adjust staffing levels in light of a continuing structural deficit.
- Decrease of \$13.2 million net County cost for salaries and employee benefits and services and supplies associated with the implementation of various efficiencies under the Department's Financial Stabilization Plan.

Impact of Budget Recommendations



Human Resources

- Elimination of the California State University, Northridge (CSUN) Certificate Program, including 7.0 budgeted positions managed by the Department of Human Resources.
- Also reflects the deletion of 4.0 Administrative Intern I positions from the first year phase of a two-year program.

Internal Services

- Elimination of a net 130.0 positions, due to cost-cutting measures from client departments.

Impact of Budget Recommendations



Mental Health

- Reduction of \$1.1 million for the Psychiatric Diversion Program contract providers utilized to decompress Department of Health Services psychiatric emergency rooms.
- Also reflects \$67.6 million in changes to address a projected deficit, including the additional Medi-Cal funds related to the increase in the Federal Medical Assistance Percentage (FMAP); transformation of directly operated and contracted programs to Mental Health Services Act (MHSA) funded programs; increased federal revenue; and the realignment of budgeted items with payroll items.
- Reflects an additional \$3.6 million unidentified curtailment for which a specific plan with stakeholders and community partners will be developed.

Impact of Budget Recommendations



Parks and Recreation

- Deletion of 75.0 vacant permanent and temporary positions (including 22.0 temporary Youth Worker positions) handling grounds maintenance, recreation programs and staff assigned to natural areas, the elimination of 39.0 vacant budgeted positions to address revenue shortfalls and increased costs, and the deletion of 5.0 miscellaneous positions.

Probation

- Addition of \$15.9 million from the Youthful Offender Block Grant revenues used to offset State reductions in camp funding.
- Also reflects reductions in State and federal grant revenues that result in the reduction of 18.0 positions in Mentally Ill Offender Crime Reduction and Proposition 36 funding, 3.0 positions in the Community Law Enforcement and Recovery/Special Enforcement Unit, and 5.0 positions related to the School-Based Program.

Impact of Budget Recommendations



Public Health

- Deletion of 17.0 budgeted positions, related to the Department's share of the Countywide curtailment, that function across several programs such as Health Assessment and Epidemiology, TB, Nursing Administration, HIV Epidemiology, Immunization, Chronic Disease and Injury Prevention, STD, Acute Communicable Disease, Public Health Laboratory, and Information Systems.
- Also reflects the reduction of 159.0 budgeted positions primarily due to State revenue reductions in Public Health Programs (PHP) and Children's Medical Services – California Children's Services Program, partially offset by the addition of 35.0 budgeted positions in PHP and the Office of AIDS Programs and Policy (OAPP).

Public Library

- Deletion of 51.0 budgeted positions necessary to address reductions in property tax revenues. Also reflects the deletion of 92.0 temporary positions.

Impact of Budget Recommendations



Public Social Services

- Elimination of 925.0 budgeted positions needed to address the reduction in State and federal funding, offset by an addition of 26.0 budgeted positions due to the transfer of the Domestic Violence Program from the Department of Community and Senior Services to the Department of Public Social Services.
- Addition of \$77.7 million in federal FMAP funding representing increased federal support for the increasing costs of the In-Home Supportive Services Program.

Regional Planning

- Reduction of 7.0 budgeted positions assigned to the Land Use Regulation, Current Planning, and Advance Planning programs.

Impact of Budget Recommendations



Registrar-Recorder/County Clerk

- Elimination of 79.0 permanent vacant positions and 92.0 temporary positions resulting from the significant decline in Registrar-Recorder Recording Fees revenues.
- Deletion of one permanent position as a result of first-year operating savings associated with implementation of the e-Recording Initiative.
- Also reflects the addition of one-time funding of \$34.5 million to address the economically driven reduction to the Registrar-Recorder's Recording Fees revenues.

Impact of Budget Recommendations



Sheriff

- Reduction of 51.0 budgeted positions from the Sheriff's Department which includes such areas as Academy training, recruitment and pre-employment; court services; risk management; professional development; headquarters; and the Success Through Awareness and Resistance (STAR) program.
- 1.0 position was also eliminated for the Los Angeles County Regional Identification System.
- This is partially offset by the addition of 12.0 positions for the Electronic Monitoring Program, 4.0 positions for contract law enforcement services, 25.0 positions for courtroom security contracts, 1.0 position for the Office of Homeland Security Division, and 1.0 position for the Los Angeles County Professional Peace Officer's Association.
- Addition of \$26.8 million in one-time bridge funding is being provided to the Sheriff in order to prevent the elimination of jail beds and support services while the Department works with criminal justice agencies to identify and implement recommendations to alleviate jail overcrowding, thereby resulting in significant long-term cost savings to the County.

Potential Efficiencies



Opportunities to consolidate departments to optimize organizational efficiencies were examined:

- The Ombudsman and the Human Relations Commission are recommended to be merged with the Department of Community and Senior Services.
- The Commission on Aging is recommended to be merged with the Area Agency on Aging Advisory Council.
- The mergers will result in a savings of \$0.7 million and the reduction of 6.0 budgeted positions, and will afford these newly configured units with greater access to resources under the umbrella of the Department of Community and Senior Services.
- The Domestic Violence Program will transfer from the Department of Community and Senior Services to the Department of Public Social Services.

Capital Projects Summary



- The Proposed 2009-10 Capital Projects/Refurbishments Budget appropriates \$1.4 billion for continued development, design, and construction of projects that address high-priority health, public safety, recreation, and infrastructure needs, and reflects a decrease of \$289.9 million from the 2008-09 Final Adopt Budget, due to the completion of 116 projects in 2008-09. The appropriations are highlighted by the following projects:
 - \$493.1 million for public protection facilities
 - \$214.6 million for recreational facilities
 - \$161.4 million for general government facilities
 - \$155.3 million for health, public health, and mental health facilities
 - \$92.8 million for construction of new or replacement libraries and refurbishment of the historic Patriotic Hall.
 - \$106.4 million for high-priority infrastructure improvements in the County's flood control and aviation facilities, soil and groundwater investigation and remediation activities, and watershed testing efforts.

Capital Projects Summary



- The Proposed 2009-10 Capital Projects/Refurbishments Proposed Budget reflects the County's commitment to environmental sustainability and the County's goal of a 20 percent reduction in energy and resource consumption at County facilities by 2015.
 - The incorporation of sustainable design technologies into nearly 50 percent of the County's active projects.
 - The active pursuit of Leadership in Energy and Environmental Design (LEED) certification.

Potential Issues



- Subsequent to balancing the 09-10 County Budget, the Assessor noted the potential of an additional 2.3 percent decrease to their assessed valuation forecast for 09-10, primarily driven by the Assessor's mandated reassessment of properties. This would decrease property tax collections by as much as \$88.3 million and will need to be addressed in September during Supplemental Changes.
- In areas where the State budget situation remains fluid, recommendations to align the County budget with State budget actions have been deferred to later phases of the budget process, when the State budget situation becomes clearer.
- For the Supplemental Changes Budget in September we will refine revenue estimates and align proposed expenditures to remain in balance. Final modifications depend on State budget decisions.

State Budget Potential Impacts



- Actions adopted as part of the 2008-09 Special Session Budget and the 2009-10 State Budget Act resulted in the estimated loss of \$21.5 million in 2008-09 and \$103.0 million in 2009-10 for the County. These losses, coupled with the \$128.6 million loss in the 2008-09 State Budget Act, would result in a \$253.1 million loss through June 30, 2010.
- The full impact of the State Budget is not included in the Proposed Budget, due to unresolved issues such as:
 - Outcome of the May 19, 2009 special election, which includes \$5.8 billion in solutions already included in the State Budget.
 - Further deterioration of State revenues, which the Legislative Analyst's Office projects to be \$8.0 billion.

State Budget Potential Impacts



- The State Treasurer and Director of Finance announced that the \$10.0 billion federal stimulus trigger will not be met and therefore, the State budget cuts to the County's Safety Net Care Pool and South LA Preservation Fund of \$24.4 million and \$5.6 million for Medi-Cal optional benefits will not be restored.
- The Governor's May Revision is scheduled to be released in early June, and once the State Budget is enacted, the CEO will provide recommendations to align the County's budget with these changes.

Federal Stimulus Budget Impact



- The American Recovery and Reinvestment Act (ARRA), a major economic stimulus and fiscal relief package signed by President Obama, provides funding for local government through formula allocations and competitive grants.
- The biggest financial impact to the County comes from the temporary increase in the Federal Medical Assistance Percentage (FMAP), which is the federal match rate for non-administrative costs.
- For FY 2009-10, the stimulus package will result in revenue and/or cost reductions of \$204.5 million, including:
 - Department of Public Social Services (\$82.6 million)
 - Health Services (\$68.9 million)
 - Mental Health (\$49.9 million)
 - Children and Family Services (\$3.1 million)

Federal Stimulus Budget Impact



- The stimulus package includes formula and competitive funding for the following areas:
 - Medicaid Disproportionate Share Hospitals (\$5.5 million)
 - Highway Account Funding (\$32.6 million)
 - Workforce Investment Act (WIA) Grants (\$30.7 million)
 - Older American Nutrition Services (\$1.6 million)
 - Community Services Block Grant (\$9.8 million)
 - Byrne Justice Assistance Grants (\$8.9 million)
- The goal of the Los Angeles County Workforce Stimulus Plan is to place 10,000 individuals in subsidized employment and/or job training using Temporary Assistance for Needy Family (TANF) Emergency Contingency Fund (ECF) and/or Workforce Investment Act (WIA) stimulus funds.
- The impact of the stimulus package competitive grants on the County's social, health, public safety, capital and other programs has yet to be finalized. Final impacts will be presented in the 09-10 Final Changes Budget and the Final 09-10 Capital Projects/Refurbishments Budget Addendum.

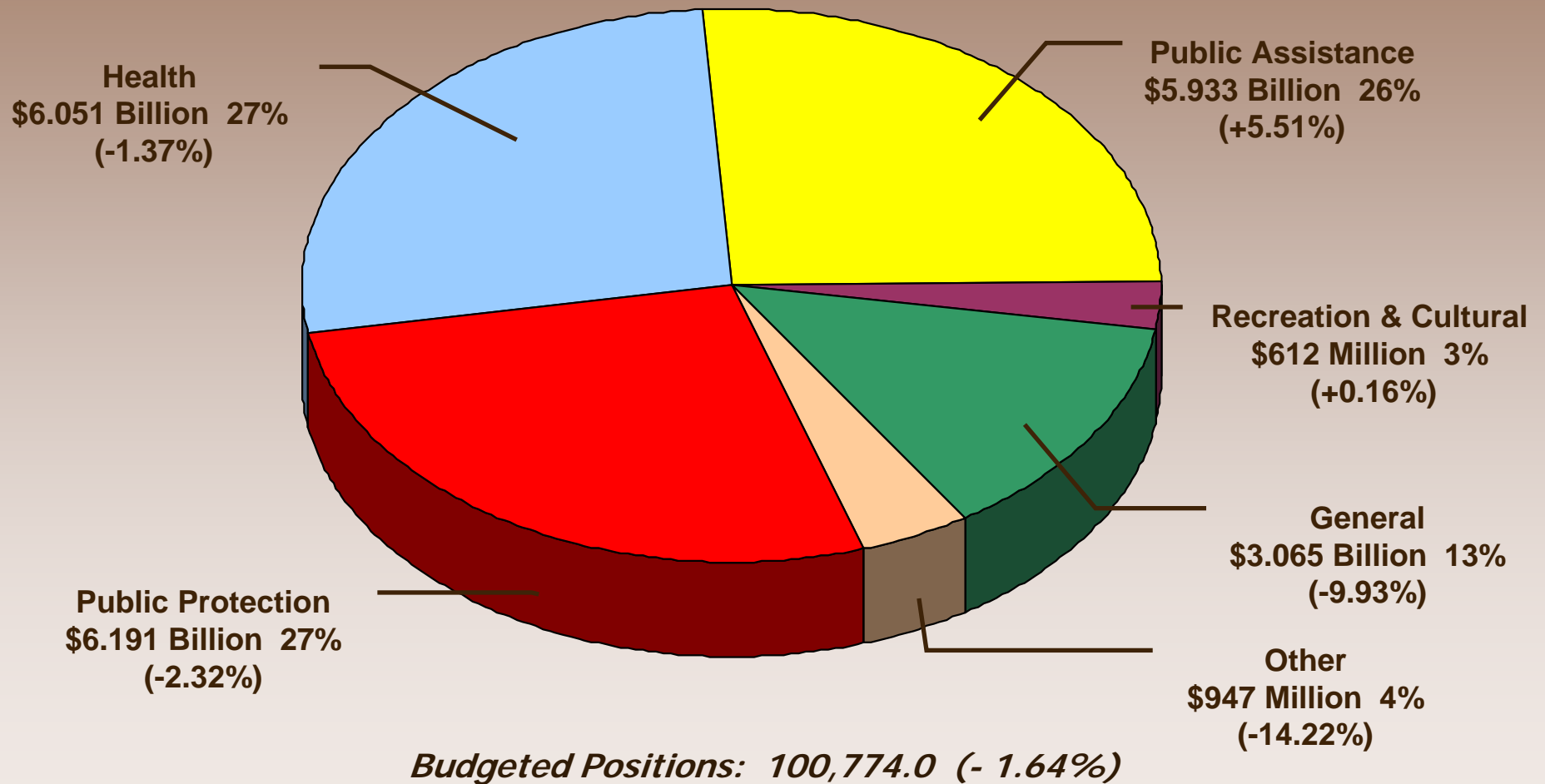
2009-10 Budget Calendar



Event	Date
Proposed Budget Released	April 21, 2009
Public Hearings	May 13 - 22, 2009
Budget Deliberations	Beginning June 22, 2009 until conclusion

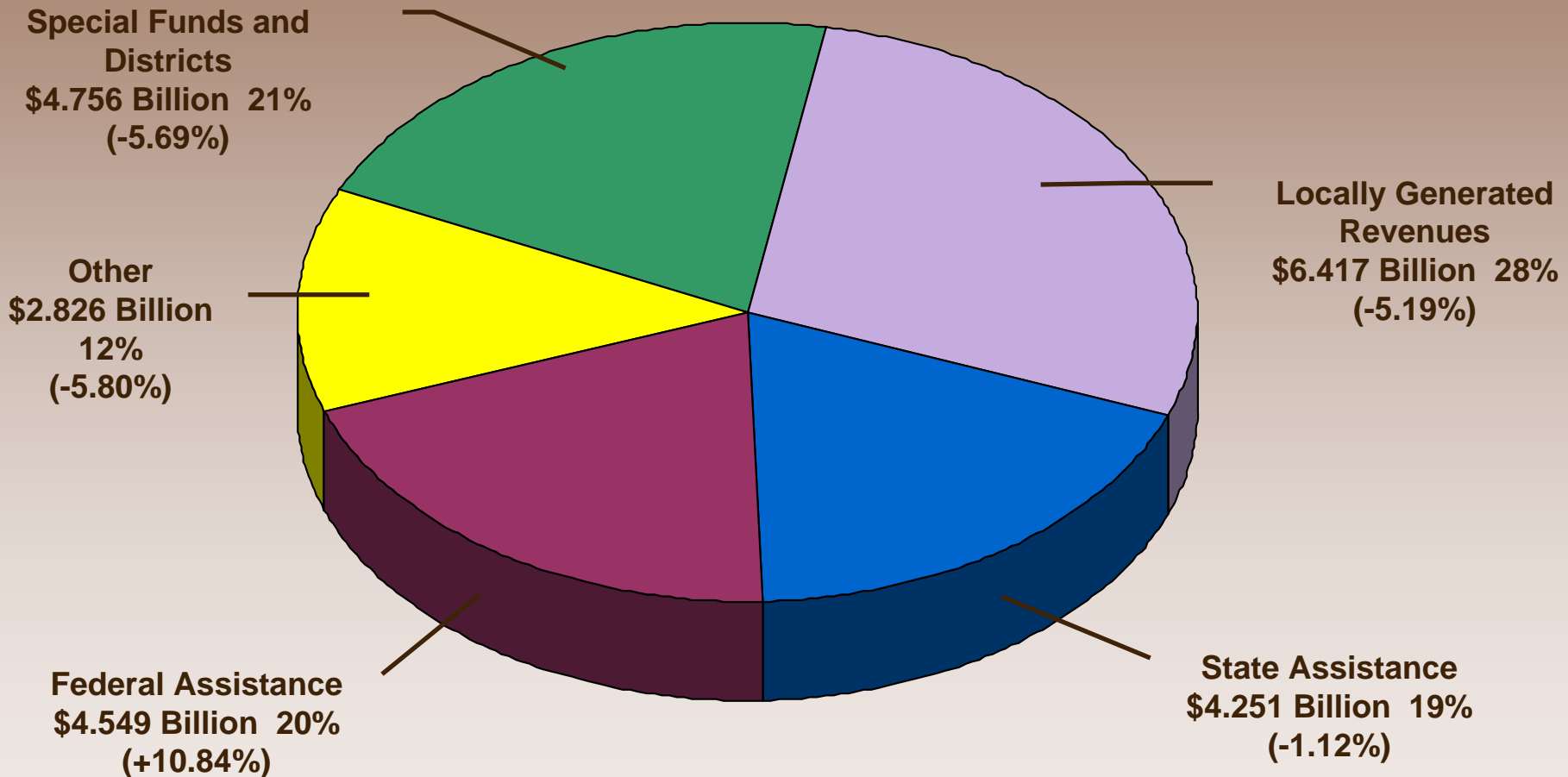
Total Cost By Function

\$22.799 Billion (- 1.79%)



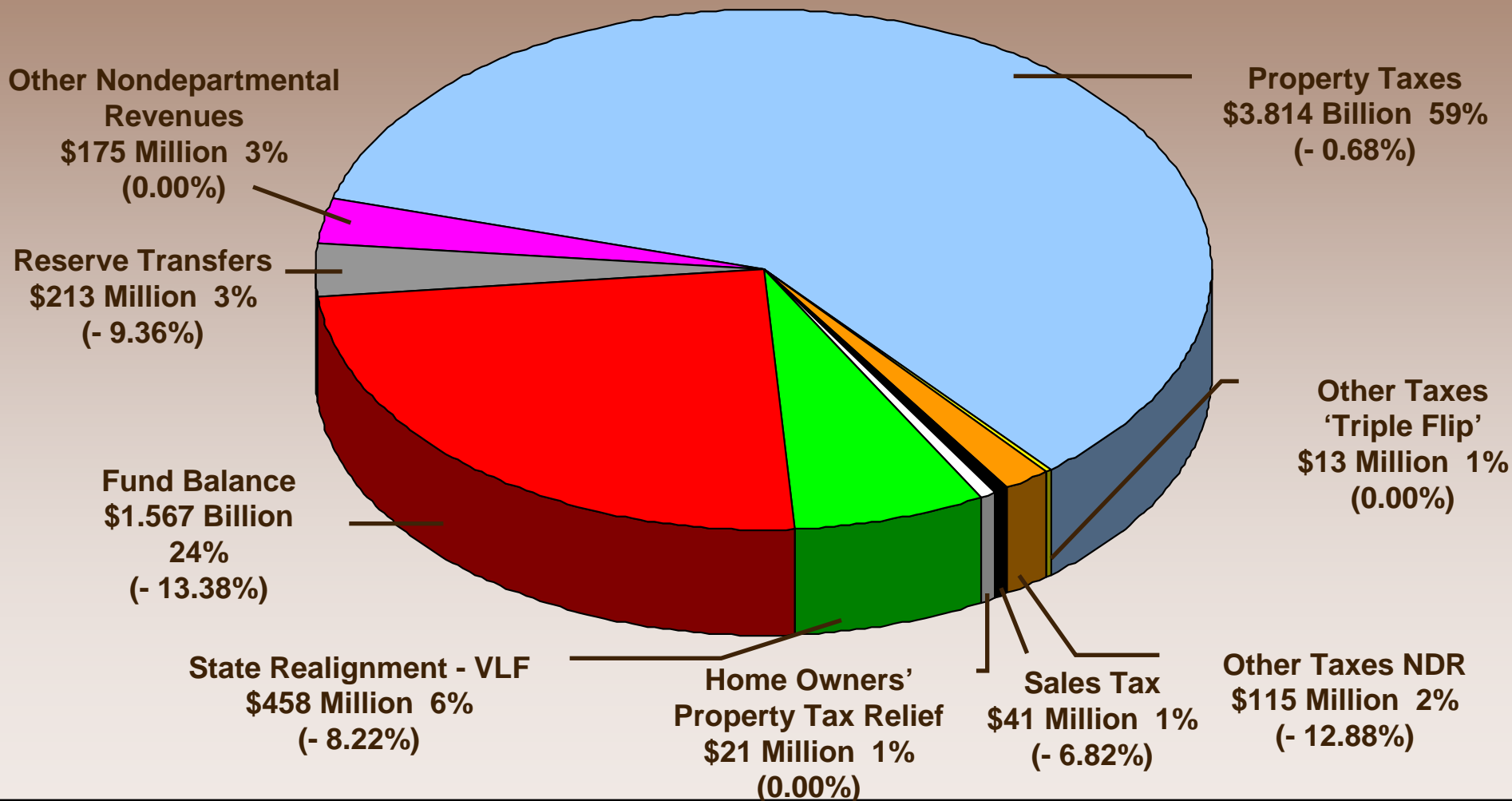
Total Revenue

\$22.799 Billion (- 1.79%)



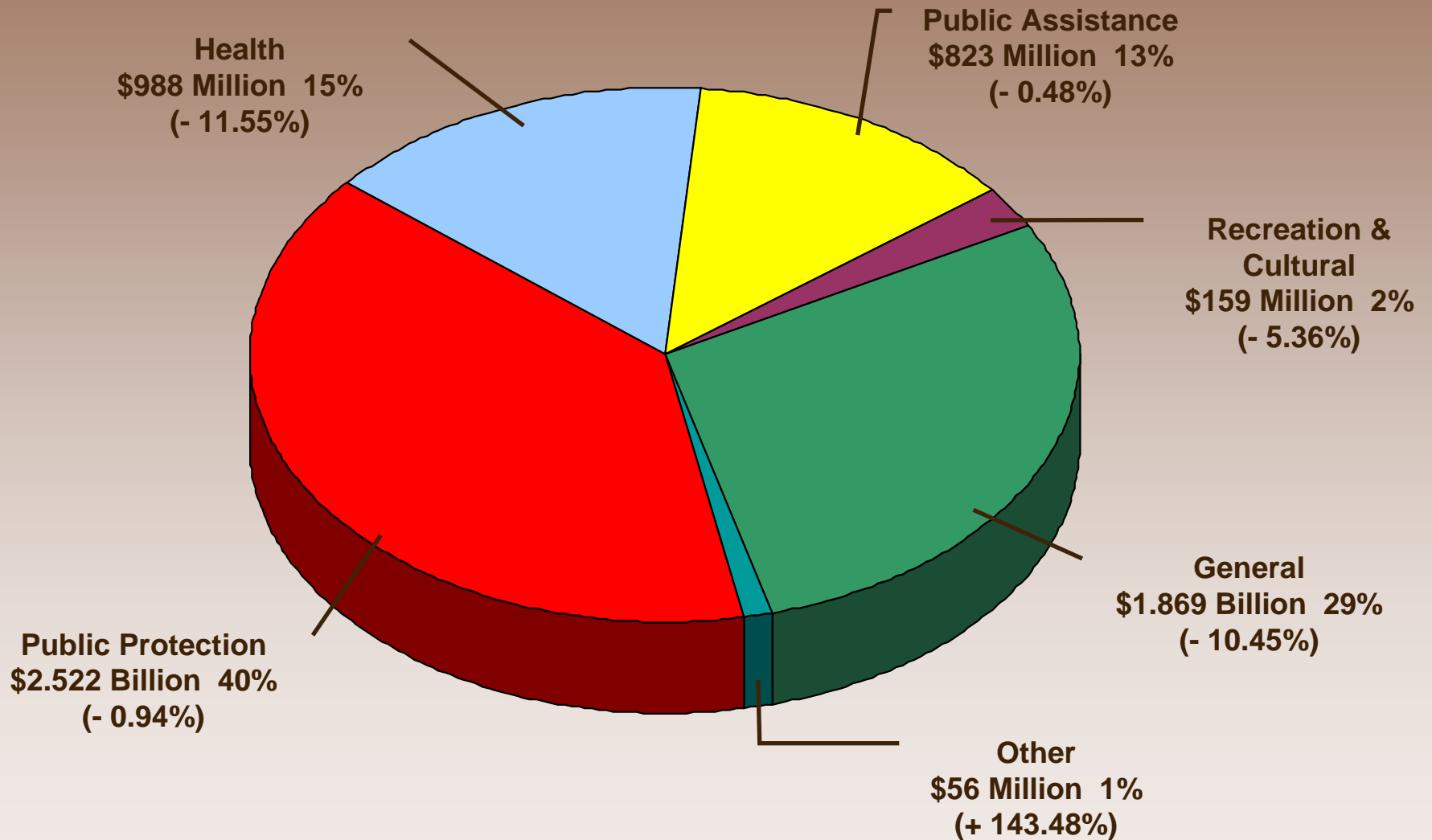
Locally Generated Revenues

\$6.417 Billion (- 5.19%)

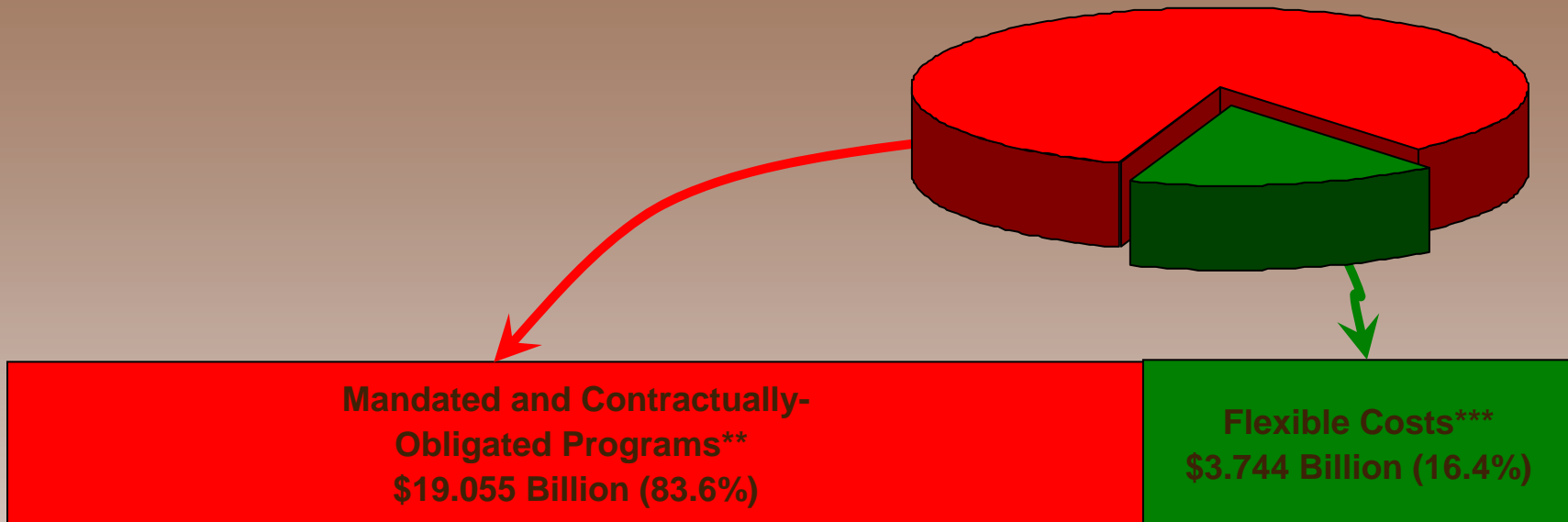


Net County Cost By Function

\$6.417 Billion (- 5.19%)



Total Proposed Budget \$22.799 Billion*



Mandated vs. Flexible Cost

- Chart shows the amount of the County's \$22.8 billion budget that represents discretionary program costs, which is \$3.744 billion or 16.4 percent.
- The balance of the budget (\$19.1 billion or 83.6 percent) represents costs that are mandated, contractually required, needed to meet a Maintenance of Effort requirement, or required to draw down significant federal and State revenues.

* Excludes major interfund transfers of revenue that would artificially inflate the size of the total County budget

** Balance made up of mandatory costs, program-specific revenues, and matching costs

*** Flexible Costs include one-time only expenditures and mandatory functions with discretionary service levels

Unincorporated Area Services Program Summary

Gross Appropriation: \$1,417.56 Million

