County of Los Angeles
CHIEF EXECUTIVE OFFICE
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WILLIAM T FUJIOKA
Chief Executive Officer

April 20, 2010

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

Dear Supervisors:

FISCAL YEAR 2010-11 PROPOSED COUNTY BUDGET
(3-VOTES)

The Fiscal Year 2010-11 County of Los Angeles Proposed Budget total of $22.721 billion reflects a decrease of $885.0 million in total requirements. General County funds, including the General Fund and Hospital Enterprise Funds ($17.654 billion), reflect a net decrease of $836.0 million. Special District/Special Funds reflect a decrease of $49.0 million.

TOTAL REQUIREMENTS – ALL FUNDS – 2010-11
(Billions of Dollars)

Fund	2009-10 Budget	2010-11 Proposed	Change	% Change
Total General County	$18.490	$17.654	-0.836	-4.5%
Special Districts/Special Funds	5.116	5.067	-0.049	-1.0%
Total Budget	$23.606	$22.721	-0.885	-3.7%
Budgeted Positions	101,113.0	99,739.0	-1,374.0	-1.4%

BUDGET ECONOMIC OUTLOOK

The nation, California, and the County continue to struggle with what has been the worst recession since the Great Depression. Although the recession officially began in December 2007, and may be technically over, we continue to endure the effects of this severe economic downturn. The root causes of the recession, the troubles in the real estate and financial sectors, continue to hamper employment growth and consumer spending. Unemployment rates for the County increased to 12.4 percent in February 2010, up 1.5 percent from a year ago. County sales tax revenues, which peaked in fiscal year (FY) 2006-07, are down by 21 percent when compared to taxable sales we expect to collect in FY 2009-10.

The mainstream view for the near-term outlook for the nation and California shows the economic downturn has likely hit bottom and slow or modest growth will likely occur. Unfortunately, continued high unemployment rates are projected through at least 2011.

BUDGET OVERVIEW

Once again, the County's Proposed Budget is shaped largely by the impact of the deep and painful recession. The FY 2010-11 Budget will be very challenging in that the full affect of the recession will have a significant impact on the County.

For the second year in a row, the Assessor is projecting an overall reduction in assessed property valuation. At this time for FY 2010-11, the Assessor is forecasting a 2.7 percent decline in assessed property valuation and is scheduled to release updated forecasts in May 2010 and a final assessment roll forecast in July 2010. Since the Assessor's forecast is preliminary, and there are early signs that the housing market is improving, our Office utilized a two percent (2%) decline as the basis of our property tax projection. This results in a $118.3 million reduction in property tax revenue from the current-year budgeted level.

Compared to the current-year budgeted amounts, the County continues to see erosion in a number of key revenue sources tied to consumer spending, which include Proposition 172 Sales Tax, Vehicle License Fees (VLF)-Realignment, Realignment Sales Tax, and local sales tax. However, since the current economic data suggests that we have likely hit bottom, our revenue estimates for taxable sales in the FY 2010-11 Proposed Budget includes a four percent (4%) overall increase from current-year (FY 2009-10) estimates. In addition, we are forecasting a two percent (2%) increase from the current-year estimate in VLF-Realignment. Although we are forecasting modest growth in these areas, these estimates are still below the current-year budgeted amounts.

The rise of unemployment has continued to swell the ranks of those seeking public assistance from the County causing caseloads and costs to increase accordingly. The cost of providing general relief assistance is particularly acute, since the County bears the entire cost of providing this assistance. Most economists are forecasting that unemployment has or will soon peak, and we are starting to see that monthly increases in general relief caseload may have started to flatten. While our general relief estimates assume that caseloads have peaked, FY 2010-11 general relief costs will still be greater than FY 2009-10 budgeted levels.

The County's retirement contribution rates will increase by almost 18 percent due to the losses sustained by the Los Angeles County Employees Retirement Association (LACERA) in FY 2008-09 from the worldwide financial crisis. The investment losses suffered by LACERA created an unfunded actuarial accrued liability of $4.9 billion as of June 30, 2009. Under California county retirement law, liabilities not funded through member contributions are the responsibility of the employer. LACERA's funding policy calls for asset gains and losses to be smoothed over a five-year period (previously three years), and the unfunded portion of a liability to be amortized over thirty years.

All of these demands on the budget are projected to create a $510.5 million General Fund net County cost (NCC) budget gap. NCC is the portion of our budget that is financed with County discretionary funding (also known as locally generated revenues). Below are the major components of the 2010-11 NCC Budget Gap:

2010-11 NCC Budget Gap

Revenue Reductions	$221.5 million
Assistance Caseload	145.9 million
Unavoidable Cost Changes	130.9 million
Net Program Cost Changes	12.2 million
Projected Budget Gap	**$510.5 million**

To close this budget gap, we are recommending a combination of ongoing and one-time solutions from reserves with the assumption that federal stimulus funding related to the Federal Medical Assistance Percentage (FMAP) will continue.

2010-11 NCC Budget Gap Solutions

Ongoing Departmental Reductions	$175.2 million
Ongoing Revenue Solutions	13.0 million
One-Time Bridge Funding	167.2 million
Labor-Management Savings	115.0 million
Extension of the FMAP Rate Increase	40.1 million
Budget Gap Solutions	**$510.5 million**

Departmental Budget Reductions

Each County department, with the exception of the Department of Health Services (DHS), was asked to submit a FY 2010-11 Proposed Budget request that included a nine percent (9%) NCC reduction. For DHS, we expect that the Department will solve its own $398.7 million budget shortfall for FY 2010-11, which represents a 9.9 percent curtailment from their $3.7 billion appropriation budget. After reviewing the results of the NCC reduction exercise and analyzing the potential impact, our Office modified some of the NCC curtailments. These reductions resulted in $175.2 million in ongoing departmental funding reductions, either through curtailments or revenue increases.

Listed below are some of the material curtailments that are recommended in the FY 2010-11 Proposed Budget.

- The Sheriff's Department reflects $128.0 million in curtailments over a 16-month period, which began in March 2010, to help address the County's budget gap. Our Office commends the Sheriff and his leadership team for acting quickly to help address the County's budget gap. The curtailment reflects the elimination of 214.0 budgeted positions from downsizing the Pitchess Detention Center, the deletion of 300.0 vacant deputy sheriff positions throughout the department, and a reduction in the department's overtime budget.

- The District Attorney's budget reflects a $3.6 million reduction and the elimination of 25.0 budgeted positions to address the County's budget gap.

- The Assessor's budget reflects a $7.9 million reduction and the elimination of 22.0 budgeted positions that will impact roll services, appraisals and information technology projects. We are working with the Assessor to identify an appropriate funding source to minimize the impact on the appraisal process, with an emphasis on eliminating the backlog.

- The Department of Public Health's budget reflects a $7.9 million reduction and the elimination of 81.0 budgeted positions to address both the County's budget gap along with the department's own budget gap. In addition, we are also recommending that $3.0 million be transferred from the Designation for Health Future Financing Requirements to the Provisional Financing Uses budget unit to help mitigate these curtailments to the extent possible on a one-time basis.

- The Department of Public Social Services' administrative budget reflects a funding reduction of $7.4 million and the elimination of 383.0 budgeted positions that will impact a variety of programs administered by the department.

- The Public Library budget reflects a $4.8 million reduction and the elimination of 9.0 budgeted positions to address both the County's budget gap as well as the Library's own budget gap. This reduction in funding will reduce library service hours at selected libraries and eliminate the adult literacy program.

- The Public Defender's budget reflects a $4.0 million reduction and the elimination of 18.0 budgeted positions, as well as $0.5 million in ongoing revenue increases. This results in an overall funding reduction of $4.5 million.

- The Department of Children and Family Services' administrative budget reflects a $4.4 million reduction in various programmatic areas.

- Although the Fire Department's Lifeguard budget reflects a reduction of $2.4 million in salaries and employee benefits, services and supplies and capital assets, we will be recommending the restoration of $0.8 million in funding in our June, Final Changes letter. The $0.8 million would restore lifeguard services at the Nicholas, Corral, Las Tunas, Topanga South, Abalone Cove, and Point Fermin pocket beaches along with the Baywatch Cabrillo after-hours operations.

- The Registrar-Recorder/County Clerk's budget reflects the elimination of 32.0 budgeted positions and $1.7 million reduction in funding. In addition, a significant portion of one-time bridge funding provided in FY 2009-10 is no longer needed as recorder revenue receipts have increased.

- The Alternate Public Defender's budget reflects a reduction of $1.0 million along with the elimination of 9.0 budgeted positions.

- The Department of Animal Care and Control's budget reflects a reduction of $0.9 million and the elimination of 14.0 budgeted positions offset with $0.8 million in ongoing revenue solutions.

- Although the Probation Department originally projected an overall structural imbalance of approximately $51.2 million for the coming year, the projection has decreased to approximately $36.5 million based upon updated information. Eighty percent (80%) of the problem is attributable to a projected shortfall in VLF revenue. Unavoidable costs increases and over expenditures in salaries and employee benefits due to over-hires are contributing factors to the remainder of the problem. Our Office continues to work with the Probation Department to identify cost-cutting measures and new revenue solutions to remedy this imbalance.

Since this marks the third straight year of budget curtailments for County departments, it is certain that services to the public will be impacted and there will likely be a number of County employees who will be laid off. As of this writing, we estimate that as many as 131 County employees could be laid off. We continue to work with County departments to mitigate the potential layoff of County employees. Since State funding accounts for 22 percent of the County Budget, this preliminary layoff estimate could increase depending on State budget actions.

One-Time Bridge Funding

In years past, the County was able to set aside funds for capital projects and for a "rainy day" reserve. One generally accepted use of a rainy day fund is to protect against reducing service levels due to temporary revenue shortfalls. Since it appears that we have weathered the worst of the economic crisis and the economy is growing slowly, we believe that it is fiscally responsible to utilize some reserves and capital funds to help bridge our budget gap. After accounting for the use of reserves included in this Proposed Budget, the County will still have reserves of $300.0 million available to help address future uncertainties and meet daily cash flow needs. However, we do not recommend using any further funds from County reserves due to the continued uncertainties related to both the State and local economies

We must also keep in mind that it is fiscally responsible and in compliance with County policy to replenish these reserves once the County's budget situation improves. County budget policy requires a ten percent (10%) reserve of locally generated revenues be set aside in the Reserve for Rainy Day Fund. Maintaining adequate reserves not only facilitates cash flow and helps maintain our credit ratings, but provides flexibility to respond to unexpected events.

Labor-Management Savings

The Chief Executive Office's Employee Relations staff has initiated a process to work cooperatively with County labor unions regarding potential budget gap solutions. This anticipated savings of $115.0 million was set aside in the central Employee Benefits' budget unit as a placeholder adjustment. In our June, Final Changes letter, we will be recommending allocation of this savings to appropriate operating department budgets.

Since this budget balancing option would require negotiations with labor, we will continue to keep your Board updated. To the extent we are unable to negotiate meaningful savings with labor, we would likely return to your Board with other recommendations that could include deeper curtailments and service reductions and include the potential for a significantly higher number of layoffs.

Federal Economic Stimulus

The American Recovery and Reinvestment Act of 2009 (ARRA), among other things, temporarily increased the FMAP, which is the federal match rate for non-administrative costs. The FMAP change is projected to temporarily decrease the County's contribution to the In-Home Supportive Services (IHSS) program. A change in the FMAP percentage also affects other County administered programs. Although the extension of the FMAP rate increase for the entire FY 2010-11 is still pending, given the likelihood of its passage, we have included this assumption in our budget projections.

Consolidations and Efficiencies

Although the County's budget gap is too large to be balanced exclusively with consolidations and efficiencies, our Office continues to explore both areas as a means to generate ongoing and one-time savings while improving operations.

We have identified a few opportunities where consolidation may be achieved. Our Office is evaluating the potential consolidation of the Affirmative Action Compliance Office into the Department of Human Resources. Preliminary estimates indicate that as much as $0.8 million in NCC savings may be achieved. We are also looking at the possibility of consolidating the Information Systems Advisory Board (ISAB) into the Chief Information Office to enhance the enterprise approach to information technology systems and standards. Since our evaluation is still in its infancy, we plan to report back to your Board during a later budget phase.

With the support of your Board, our Office has placed a high emphasis on both countywide and departmental efficiencies over the last two (2) years. Our March 10, 2010 report to your Board lists the actions related to this effort.

OTHER FUNDING RECOMMENDATIONS

Listed below are some important budget recommendations included in the 2010-11 Proposed Budget.

- **Health Services Budget Deficit** – Reflects a $362.4 million placeholder reduction in the Health Department's 2010-11 Proposed Budget. We are working with the department on proposals to address the structural deficit in their operating budget.

- **CalWORKs** – Reflects appropriation increases of $151.7 million offset with State and federal revenue increases of $148.0 million, primarily due to address caseload increases of 14.2 percent and program changes. These changes are accounted for in the Department of Public Social Services' - Assistance budget.

- **Emergency Contingency Fund (ECF)** – Reflects a $42.1 million increase in appropriation that is fully offset with federal stimulus funding in the Department of Public Social Services' administrative budget. This increase is for the Transitional Subsidized Employment program and other programs and costs eligible for ECF funding.

- **Office of Public Safety (OPS) – Sheriff Consolidation** – Reflects the consolidation of the OPS with the Sheriff's Department as approved by your Board on December 15, 2009.

- **Museum of Art Base Funding Agreement** – Reflects a $2.0 million increase for the third of a three-year adjustment to the base funding agreement to sustain County support of physical and programmatic expansion.

- **Katie A. Settlement Agreement** – Reflects increases in funding to provide continued implementation of the Board-approved Katie A. Strategic Plan.

- **Child Care and Kinship Support Services Programs** – Reflects a $1.3 million increase in appropriation fully offset with State revenue for child care ($1.2 million) and kinship support services ($0.1 million) administered by the Department of Children and Family Services.

- **Veterans Services** – Reflects the addition of 4.0 budgeted positions to provide veterans claims assistance that is fully offset with Mental Health Services Act funding.

- **HIV/AIDS State and Federal Funding** – Reflects an increase of $7.0 million in State and federal grant funding to support therapeutic monitoring, counseling and testing, prevention, education and the AIDS Drug Assistance Program.

- **Substance Abuse State and Federal Funding Reductions** – Reflects a reduction in funding and related costs for the Drug Medi-Cal, Substance Abuse Prevention and Treatment, and State Offender Treatment programs. This adjustment also reflects the elimination of one-time carryover funding for the Proposition 36 program in FY 2009-10, following the State Budget cuts.

Other Post-Employment Benefits (OPEB)
The County retiree health care benefits (also known as OPEB) are currently funded on a pay-as-you-go basis and not a pre-funded basis, like retirement costs. This pay-as-you-go approach has led to the accumulation of a financial liability. This liability, which must now be quantified under governmental accounting rules, is valued at $21.8 billion. The County is working with LACERA and County labor unions to establish an OPEB trust fund. The OPEB trust fund would serve as the vehicle to begin prefunding retiree health care benefits and reduce our financial liability. The County set aside $11.8 million in a designation for these future costs, in addition to a projected balance in excess of $400.0 million from pension fund surplus earnings. We will submit a request to your Board to move these funds into the OPEB trust fund.

POTENTIAL STATE/FEDERAL BUDGET IMPACTS

State Budget
The Governor's FY 2010-11 Proposed State Budget was released on January 8, 2010. Based upon our analysis, the County could lose $188.9 million from the Governor's Budget proposal and a projected $1.26 billion from additional funding reductions, if the State does not receive increased federal funds from the restructuring of the "Federal-State relationship," as proposed by the Governor. This overall County impact is estimated to be $1.45 billion.

As a result of current economic conditions and the continuing fiscal crisis in Sacramento, the State Budget situation remains very fluid and we are deferring recommendations to align the County budget with actions by the Governor and the Legislature until later phases of the State Budget process when their situation becomes clearer.

In addition, the State recently enacted legislation for a cash flow management plan to allow the State to defer payments to counties in FY 2010-11 for various health, mental health and social services programs as well as gasoline excise tax payments from the Highway User Tax Account. The County's exposure to the payment deferral could be as high as $500.6 million in FY 2010-11.

Federal Budget
On February 1, 2010, President Obama released his proposed $3.8 trillion budget for Federal Fiscal Year (FFY) 2011, which will begin on October 1, 2010. The President's proposal includes a six-month extension of FMAP increase for Medicaid and Title IV-E foster care and adoption assistance, which was enacted in the ARRA. Under current law, the extension of the FMAP rate increase will expire on December 31, 2010. The Senate has passed H.R. 4213, a tax extender/jobs bill, which includes a six-month FMAP extension.

CAPITAL PROJECTS/EXTRAORDINARY MAINTENANCE PROGRAMS

Capital Projects
The 2010-11 Proposed Capital Projects/Refurbishments Budget appropriates $1.3 billion for continued development, design, and construction of projects that address high priority health, public safety, recreation, and infrastructure needs. The Proposed Budget reflects a decrease of $119.3 million in appropriation from the 2009-10 Final Adopted Budget, due to the completion of 78 projects in FY 2009-10. The FY 2010-11 Proposed Budget is highlighted by the following appropriation recommendations:

- $468.8 million for public protection facilities, such as the refurbishment of Men's Central Jail, construction of new barracks at Pitchess Detention Center, new construction at the Biscailuz Center Training Academy, construction of new fire stations in the Santa Clarita Valley, refurbishment and expansion of the Coroner's facility, security improvements at Probation juvenile halls and camps, construction of a new animal shelter in the east Antelope Valley, and new animal shelter spay/neuter clinics;

- $213.6 million for recreational facilities including construction of community rooms and refurbishment of swimming pools at County parks, and facility refurbishments at County beaches;

- $153.4 million for general government facilities highlighted by the construction of a new countywide data center in Downey;

- $300.3 million for health, public health, and mental health facilities, including construction of a Mental Health Urgent Care Center on the Olive View Medical Center site, construction of a new public health center in South Los Angeles, build-out of a community hospital and construction of a new multi-service ambulatory care center at the Martin Luther King, Jr., medical campus, construction of new surgery and emergency suites at Harbor-UCLA Medical Center, and expansion of the emergency room and construction of a tuberculosis unit at Olive View Medical Center;

- $57.0 million for construction of new or replacement libraries in the unincorporated area of the San Gabriel Valley, Topanga Canyon, and East Rancho Dominguez and refurbishment of the historic Bob Hope Patriotic Hall; and

- $128.9 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.

Sustainable Design Program

In January 2007, the Board of Supervisors approved the establishment of the Sustainable Design Program as a component of the County's Energy and Environmental Policy. The purpose of the Program is to support the County's goal of a twenty percent (20%) reduction in its facility's energy and resource consumption by the year 2015 through the integration of sustainable, "green building" technologies into the designs of the County's capital improvement and refurbishment projects.

The FY 2010-11 Proposed Capital Projects/Refurbishments Budget reflects the County's continued commitment to the idea of sustainability, with the incorporation of sustainable design technologies into 45.7 percent, 139 of the County's 304 active building or refurbishment related projects (projects related to land acquisition or non-structural in nature have been excluded from this count). This level of sustainable design represents a four percent (4%) increase from FY 2008-09, when 46.3 percent of projects had been identified as candidates for sustainable design and 20 for Leadership in Energy and Environmental Design (LEED) certification. In FY 2010-11, LEED certification is being pursued on 23 projects, including 19 that are expected to be certified at a level of Silver.

Of the 139 County projects that incorporate sustainable design elements, 80 projects utilize designs and technologies that will reduce energy consumption. Water efficiency technologies are integrated into the building designs of 67 projects, while drought tolerant landscaping or xeriscaping (no irrigation) is incorporated into 72 projects. Measures to reduce stormwater runoff and to treat wastewater are applied in 65 projects. Priority has also been placed on the introduction of solar power generation, which is incorporated into 14 projects. In addition, 35 projects will include use of recycled building materials and 102 projects incorporate energy efficient design measures.

Federal Stimulus Impact

On February 17, 2009, the ARRA was enacted. The Act, a $787.0 billion federal economic stimulus bill, included authorization for the issuance of several types of bonds with the intent of promoting economic growth through the provision of unique financing incentives for State and local capital improvements. Under the Act, authorization to issue each of these types of bonds expires on December 31, 2010.

The County plans to fully utilize the following bonds allocated under the ARRA to finance qualifying health, justice, government, and renewable energy projects in FY 2010-11:

Build America Bonds (BAB): Taxable bonds that are issued by State or local governments to finance capital expenditures and certain issuance costs related to governmental, public purpose projects. Under ARRA, the federal government has agreed to provide issuers of BABs with a federal subsidy of 35 percent of the interest paid to investors. There is no limit on the amount of BABs that may be issued.

Qualified Energy Conservation Bonds: Taxable bonds that are issued by State or local governments to finance public capital improvements that will reduce energy consumption by 20 percent in governmental buildings or expand the use of renewable energy sources and other alternatives to fossil fuel technologies. The County is authorized to issue $11.7 million in Energy Conservation Bonds for use on qualified private sector projects and $27.3 million to finance public, governmental projects.

Recovery Zone Economic Development Bonds: The ARRA also authorizes the issuance of bonds to finance capital expenditures within designated "Recovery Zones," which are defined under ARRA as any area designated by a jurisdiction as experiencing significant poverty, unemployment, rates of home foreclosures or general economic distress. Based on an analysis of each census tract in the County of Los Angeles and in compliance with Internal Revenue Service requirements, your Board of Supervisors designated the entire County as a Recovery Zone on January 26, 2010.

Recovery Zone Economic Development Bonds are also taxable bonds and provide a federal subsidy of 45 percent of bond interest payments. They may be issued by State and local governments to finance expenditures made for purposes of promoting development or other economic activity in a Recovery Zone, including costs related to property, public infrastructure, public facility construction, or job training and education programs. The County received an allocation of $181.0 million in Economic Development Bond authorization.

Several proposals to expand the scope and extend the issuance timeframes of the bonds authorized under ARRA are being developed and reviewed by the federal government. Any revisions to ARRA financing provisions will be incorporated into the Capital Projects/Refurbishments Budget as they are finalized, adopted, and implemented by the federal government.

Extraordinary Maintenance

The Extraordinary Maintenance budget reflects a proposed appropriation of $103.7 million in FY 2010-11 for high priority repairs and maintenance needs at County facilities including public health centers, Probation camps and juvenile halls, animal shelters, parks in unincorporated areas, and other departmental facilities.

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 20, 2010
Commence Public Budget Hearings	May 12, 2010
Commence Final Budget Deliberations and Adopt Final Budget Upon Conclusion	To Be Determined*

*The Board will be notified when the date is set.

Prior to deliberations on the FY 2010-11 Final Budget, we will file reports on:

- May revisions to the Governor's Budget and updates on other FY 2010-11 State and federal budget legislation and the impact on the County's Proposed Budget;
- Final revisions reflecting the latest estimates of requirements and 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 the adoption of the Proposed Budget.

- The documents 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:

1. Order such revisions, additions and changes to the Chief Executive Officer's budget recommendations as deemed necessary and approve the revised figures as the Proposed Budget for FY 2010-11; order the publication of the necessary notices; and set May 12, 2010 as the date that public budget hearings will begin.
2. Approve discounted prepayment on the County's retirement contribution, if it is within the County economic interest to do so, and authorize the Chief Executive Officer to negotiate with LACERA on the County's behalf in this regard.
3. Direct the Chief Executive Office to resume work with LACERA and County labor unions to establish an OPEB trust fund that would be used to begin prefunding the County's OPEB liability.

4. Upon establishing the OPEB Trust Fund, direct the Chief Executive Officer to take the necessary steps to transfer funding to the OPEB Trust Fund with funding already earmarked for the OPEB liability.

5. Direct the Chief Executive Officer to return with recommendations for consideration during Budget Deliberations to allocate the $115.0 million Labor-Management Savings Budget Solutions to appropriate operating department budgets as part of their FY 2010-11 Final Changes Budget Recommendations.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer