AGN. NO._____

MOTION BY SUPERVISOR DON KNABE July 22, 2014

Los Angeles County has established a standard for fiscal stability that is unparalleled among government entities over the past decades. We continue to be nationally recognized for our budgetary and financial prudence and long-term strategies to recognize and address future cost issues before they reach a critical level that must be addressed by crisis solutions. The County has demonstrated time after time, through the solidarity of the Board, its on-going commitment to adhere to our Board "Budget Policies and Priorities."

The County was at the forefront of reducing its pension costs, through reduced benefits and increased contributions decades before other local governments even addressed this issue. In addition, the County created a sizable "Rainy Day" reserve during the good economic times to position itself to meet an economic downturn. When the "Great Recession" struck, the County was able to withstand this catastrophic event, through a strategic multi-year plan to use reserves; curtail programs that did not

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MOTION

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materially reduce public service; freeze hiring and services and supplies; negotiate with our labor partners for NO salary increases, and focus limited resources on innovative efficiency initiatives.

The three major credit rating agencies recognized our conservative budgetary and financial practices and commended our commitment to fiscal stability when they upgraded our bond ratings as the County exited the "Great Recession."

Most recently, the County negotiated with our Unions to reduce its long-term Retiree Healthcare costs by providing only a single-party premium allowance for new employees after retirement.

As the County continues to emerge from the significant economic downturn, it is an appropriate time to augment the Board's "Budget Policies and Priorities" to ensure they remain relevant in the current and future fiscal environment.

I, THEREFORE, MOVE THAT THE BOARD instruct the Chief Executive Officer, Auditor-Controller, Treasurer-Tax Collector and County Counsel be directed to review the attached additional Fiscal Policies for incorporation into the existing Board "Budget Policies and Priorities" and report back during Supplemental Budget with the necessary recommendations that will allow the Board to enact these policies.

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Attachment

ATTACHMENT

FISCAL POLICIES

1. Set aside annually, during the Budget Process, in Appropriation for Contingencies, a percentage (5% – 10%) of new on-going discretionary revenues as a hedge against any unforeseen fiscal issues during the year. At year end, transfer these funds to the reserves or use to buy down our Retiree Health Unfunded Liability.

2. Develop and initiate a structured multi-year plan, on an incrementally increased on-going annual funding basis, to address the major unfunded actuarial liabilities of the County (same concept as Retirement Buy-down program).

3. Set aside, in the Budget Process, a fixed one-time amount (minimum $5.0 million) annually to address deferred maintenance and/or set aside an on-going amount in the Recommended Budget phase, if on-going funding allows.

4. Use all future CRA Asset sales funds to provide funding for Deferred Maintenance, Low/Moderate Income Housing, economic development and/or critical Capital Projects.

5. Set aside future CRA Residual incremental allocations, 50% of projected annual incremental increases beginning in FY 2016-17, for Debt Service requirements on future infrastructure projects.

6. Require a four/fifths vote of the Board of Supervisors, on the following:

   ✓ Any revisions to the Board’s “Budget and Fiscal Policies.”

   ✓ Labor agreements impacting salaries and employee benefits cost increases.