

**REVISED MOTION BY SUPERVISORS HOLLY J. MITCHELL  
AND LINDSEY P. HORVATH**

January 23, 2024

**Los Angeles County’s Fiscal Resilience: Implementing the Process to Prioritize  
Fiscal Motions During the Budget Process**

On January 10, 2024, California Governor Gavin Newsom proposed his 2024-25 Governor’s Budget. It showed a revenue shortfall of \$42.9 billion and potential budget challenges of ~~\$37 billion~~ \$37.9 billion. More importantly, the Governor’s Budget reflected economic and federal policy forces so volatile that the State Administration was required to make sacrifices to propose a balanced expenditure plan for the 2024-25 budget. These same economic and public policy forces impact Los Angeles County’s (County) fiscal health and stability. As an arm of the State, the County ~~cannot be isolated from~~ will likely be impacted by the State’s fiscal problems. Federal and State policies directly fund ~~33-38~~ percent of the County’s budget. Further, local economic activities, which can sometimes mirror the State’s economic activities, help generate a sizable portion of the County’s locally generated revenues. That includes property taxes (reliant on the housing market and housing activities), sales taxes (reliant on the sale of goods and services within the County), and other assessments.

~~With this~~ In times of economic uncertainty, prudence and stewardship are the best policies. The Board of Supervisors (Board) approved a 2023-24 budget that ~~did not provide for much in new program resources~~ provided for limited new program funding, and the 2024-25 budget ~~argues~~ augurs to be even more austere in new

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MOTION

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revenues. Furthermore, the risks the Board identified during the 2023-24 budget process for the County's finances have not subsided; neither have our ubiquitous commitments and legal obligations. The magnitude of the impact from these risks and obligations on the County's budget is measured in billions of dollars. The Board will need to make difficult budget choices with limited resources in 2024-25

Fortunately, the Board approved a fiscal resilience motion in September 2023, titled, "Los Angeles County's Fiscal Resilience: Establishing a Policy to Prioritize Fiscal Motions During the Budget Process," aiming to provide better stewardship on its General Fund or Net County Cost (NCC). The motion directed the Chief Executive Officer to report back on a process that would streamline and make transparent the decision-making process in funding new policies impacting the General Fund. The process was to be recommended as a component of the annual budget process. The Board also sought to implement the process in the 2024-25 fiscal year, so it could continue its commitments to the people of the County while remaining a steward of its General Fund.

On January 12, 2024, the Chief Executive Officer provided a report to implement the fiscal resilience process, as part of the annual budget development cycle. The process will apply to fiscal motions that impact NCC. The process also has established a timeline that requires its immediate implementation for it to be part of the 2024-25 budget development process. The process will also allow the Board to have a balanced budget, as statutorily required.

Fiscal responsibility has been one of the pillars of the Board's policy making. For example, the Board amended Section 10 of Section 4.030 – "Budget Policies and Priorities" in May of 2022, to increase the portion of new ongoing discretionary revenues that should be set aside annually for contingencies. These policies along with our overall financial practices, including the County's prudent cash flow projections, have earned the County excellent credit ratings, specifically a Standard & Poor's Global rating of AAA, the highest rating for municipal notes, showing a very strong financial capacity ~~pay debt service~~. This motion seeks to help continue that trend of fiscal focus, stewardship, and diligence, particularly in this season of economic uncertainty.

**WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:**

1. Direct the Chief Executive Officer (CEO) to fully implement, starting with the 2024-25 Budget cycle, the four steps detailed in its recommendations in the CEO Report Back ~~on January 12, 2024,~~ on the Los Angeles County's Fiscal Resilience: Establishing a Policy to Prioritize Fiscal Motions During the Budget Process (1/12/2024). This includes for each phase of the budget process:
  - a) Establishing a cutoff date for Net County Cost (NCC) motions and providing a list of motions that will be assessed for implementation readiness.
  - b) Assessing each NCC motion's implementation "Readiness" status.
  - c) Providing a report with motion implementation readiness tiers.
  - d) Providing a final report on NCC motion funding recommendations that includes the objective criteria used to determine which motions were recommended for funding.
2. Direct the CEO to report back in writing by November 30, 2024, after the first budget year of process implementation, on any recommended process refinements, including an analysis of the process, refinements to the tiers and criteria, and other necessary changes to make the process more effective.

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