

County of Los Angeles

2011-12 Recommended Budget



"To Enrich Lives Through Effective and Caring Service"

County of Los Angeles 2011-12 Recommended Budget



Submitted to the Board of Supervisors

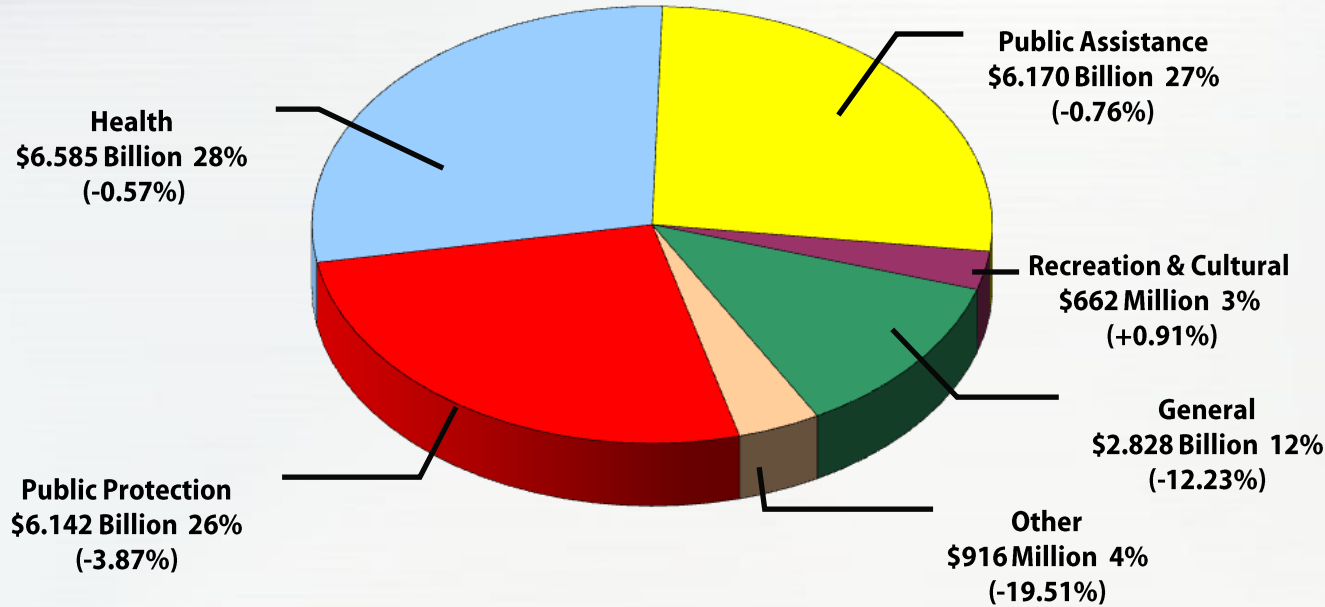
by

William T Fujioka, Chief Executive Officer

and

Wendy L. Watanabe, Auditor-Controller

2011-12 Recommended Budget (\$23.303 Billion)



Fund (in Billions)	Adopted Budget	Recommended Budget	From Prior Year	From Prior Year
Total General County	\$18.508	\$18.019	(\$0.489)	-2.6%
Special Funds/Districts	5.737	5.284	(0.453)	-7.9%
Total Budget	\$24.245	\$23.303 *	(\$0.942)	-3.9%
Budgeted Positions	101,296	101,039	(257)	-0.3%

* Does not include all year-end fund balances.

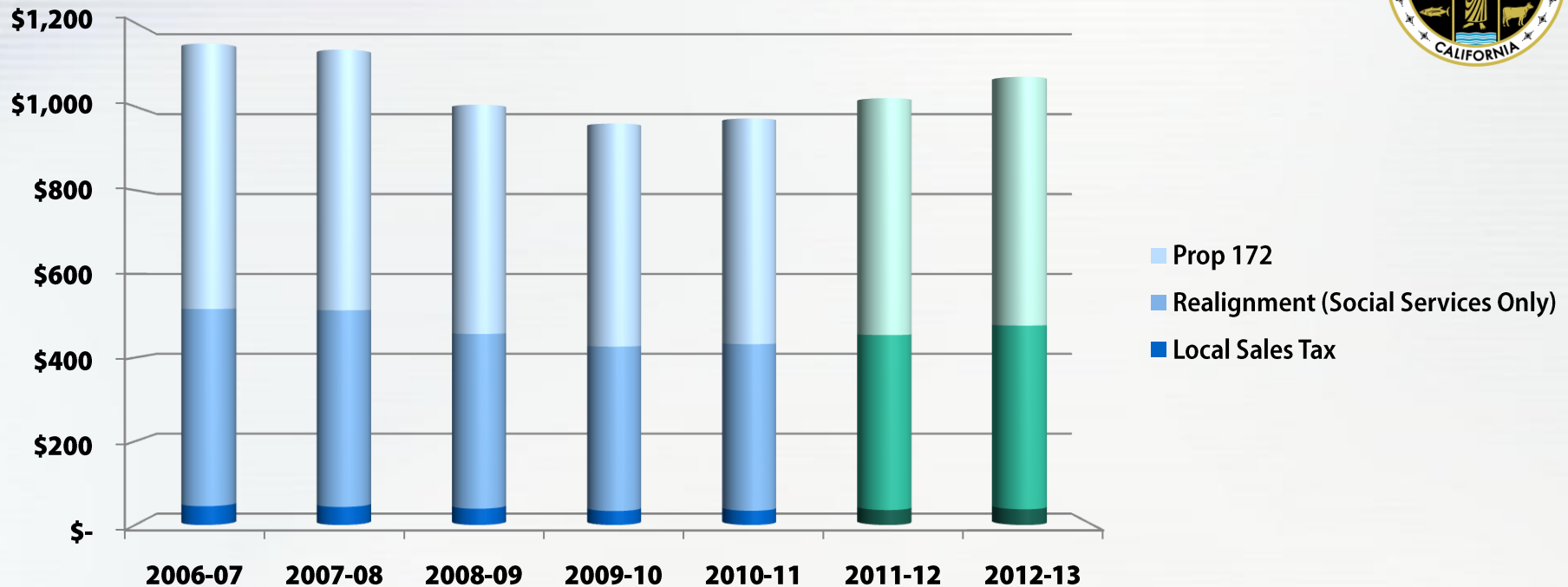
Primary Drivers of Budget Changes



2011-12 NCC Budget Gap – (\$220.9) Million

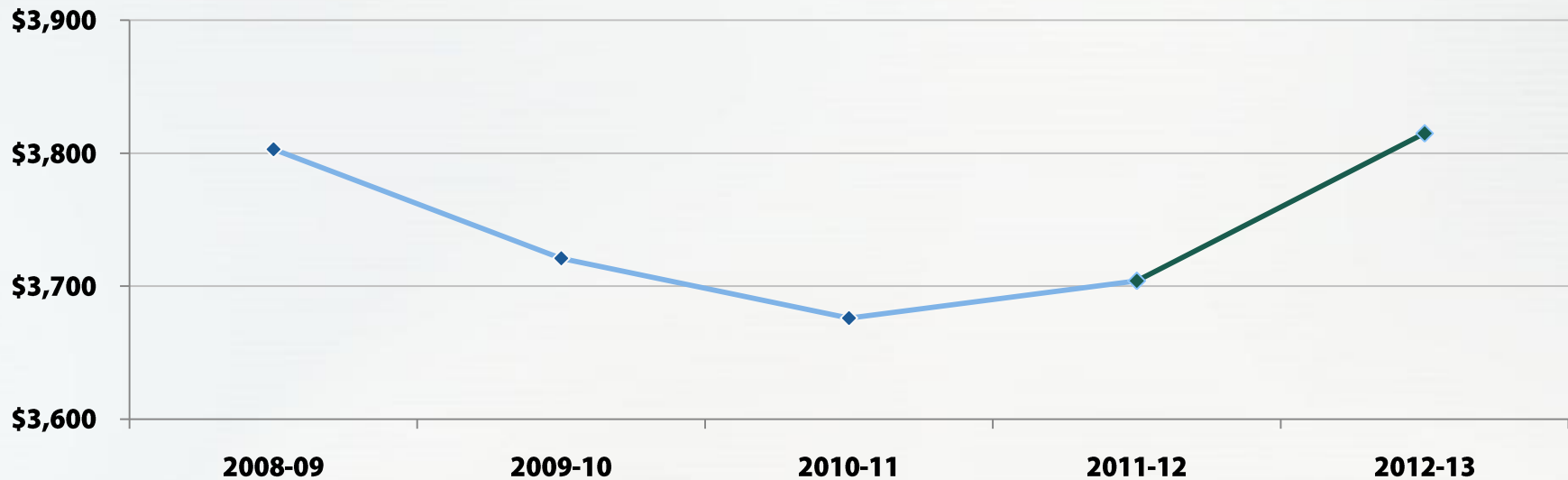
- ✓ 2010-11 One-Time Budget Solutions – (\$262.0 Million)
- ✓ Expiration of Federal Stimulus Funding – (\$63.9 Million)
- ✓ Unavoidable Cost Increases – (\$89.0 Million)
- ✓ Assistance Caseload Changes – (\$32.7 Million)
- ✓ Revenue Increases - \$78.0 Million
- ✓ Retirement of Pension Obligation Bonds - \$106.6M (\$248.1 Million Countywide savings)
- ✓ Labor-Management Savings - \$42.1M (\$75.7 Million Countywide savings)

Sales Tax Projection (\$ in Millions)



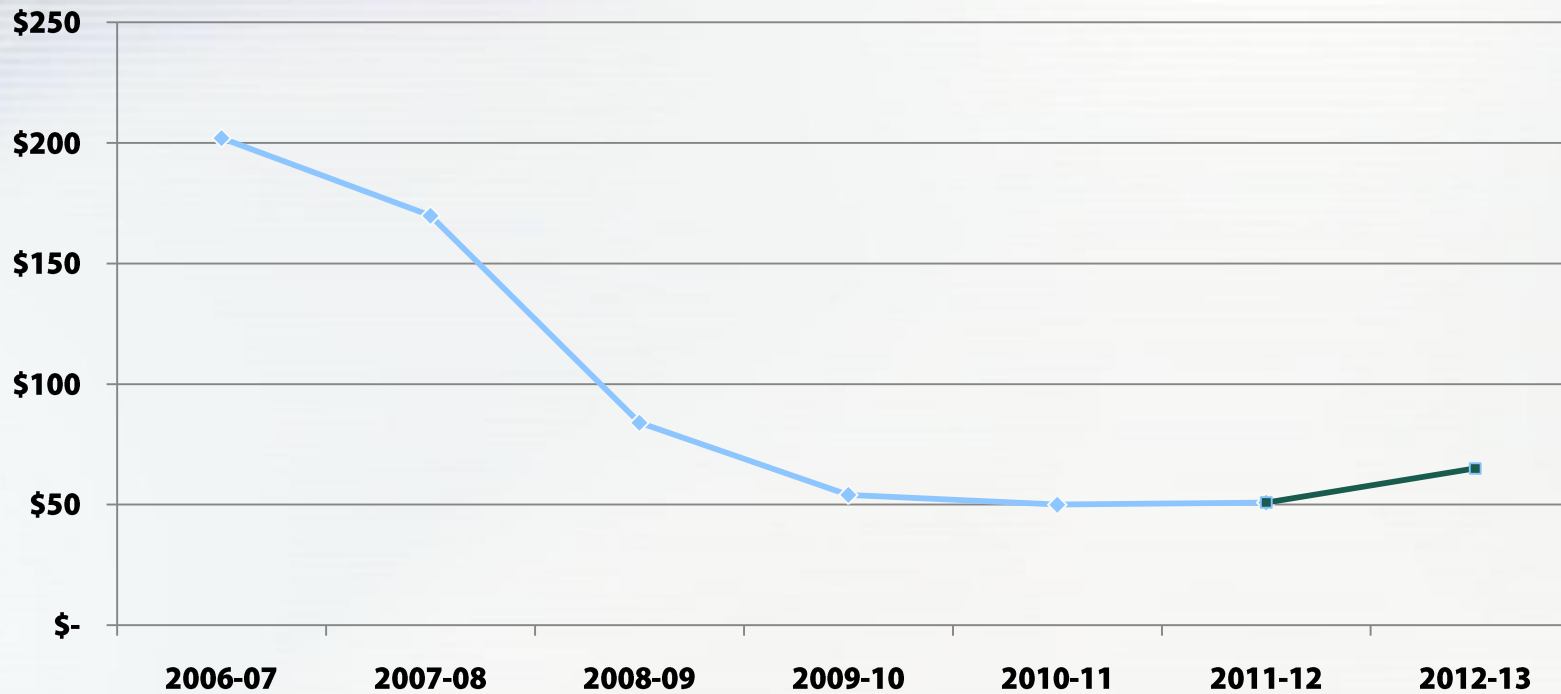
Sales Tax (Millions)	Recommended						
	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Estimate 2010-11	Budget 2011-12	Projected 2012-13
Local Sales Tax	\$ 44.8	\$ 43.0	\$ 38.9	\$ 33.3	\$ 34.0	\$ 35.7	\$ 37.5
Realignment Sales Tax (Social Services Only)	471.3	469.9	417.5	392.9	398.1	418.1	439.0
Prop 172 Sales Tax	634.2	623.0	547.9	533.1	539.3	566.2	594.5
Total	\$ 1,150.3	\$ 1,135.9	\$ 1,004.3	\$ 959.3	\$ 971.4	\$ 1,020.0	\$ 1,071.0
Change from previous year		\$ (14.4)	\$ (131.6)	\$ (45.0)	\$ 12.1	\$ 48.6	\$ 51.0
% Change from previous year		-1.3%	-11.6%	-4.5%	1.3%	5.0%	5.0%

Property Taxes Projection (\$ in Billions)



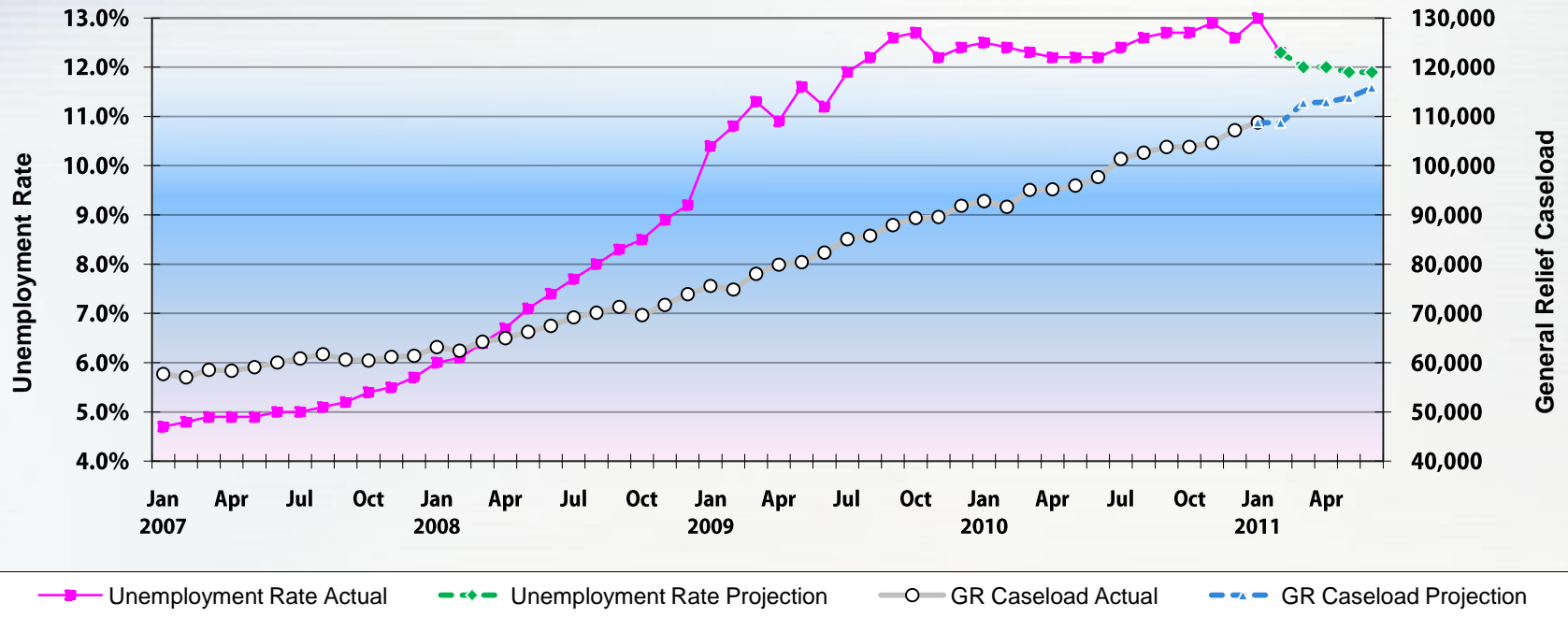
	Actual 2008-09	Actual 2009-10	Estimate 2010-11	Recommended Budget 2011-12	Projected 2012-13
Property Taxes (Billions)	\$ 3.803	\$ 3.721	\$ 3.676	\$ 3.704	\$ 3.815
Change from previous year		\$ (0.082)	\$ (0.045)	\$ 0.028	\$ 0.111
% Change from previous year		-2.16%	-1.21%	0.76%	3.00%

Investment Earnings Projection (\$ in Millions)



	Recommended						
	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Estimate 2010-11	Budget 2011-12	Projected 2012-13
Investment Earnings (Millions)	\$ 202.0	\$ 169.8	\$ 84.0	\$ 54.1	\$ 50.0	\$ 50.9	\$ 65.0
Change from previous year		\$ (32.2)	\$ (85.8)	\$ (29.9)	\$ (4.1)	\$ 0.9	\$ 14.1
% Change from previous year		-15.9%	-50.5%	-35.6%	-7.6%	1.8%	27.7%

COMPARISON: Los Angeles County Unemployment Rate and General Relief (GR) Caseload (Jan 2007 – Jun 2011)



Fiscal Year	Actual 2007-08	Actual 2008-09	Actual 2009-10	Estimate 2010-11	Change from 2007-08	% Change from 2007-08
GR Caseload (monthly)	62,897	74,763	91,499	106,894	43,997	70.0%
GR Net County Cost (Millions)	\$147.7	\$178.4	\$219.0	\$257.1	\$109.4	74.1%

GR benefits \$221/month (\$2,652/annual)



COUNTY CONTINUES TO MAINTAIN CORE SERVICES THROUGH THESE CHALLENGING TIMES

- ✓ **Department of Health Services**
- ✓ **Sheriff's Department**
- ✓ **Internal Services Department**

Department of Health Services (DHS)



- **DHS continues to provide the same level of services without additional County funds during this period of economic downturn**
 - Developed a financial stabilization plan that currently saves \$139 million annually
 - Avoided service reductions and layoffs through revenue maximization and other efficiencies
 - Absorbed an influx of new patients who lost their private health insurance during the recession
 - Secured additional State 1115 Waiver revenues and increased the amount of federal revenue that can potentially be drawn down to the County

Sheriff's Department



- **Overall decrease in reported crimes as of January 2011**
 - Violent crimes declined 8 percent
 - Homicides decreased 33 percent
 - Serious property crimes decreased 4 percent
 - Five years continuous decrease in homicide
 - Lowest homicide rate since 1965
- **Unincorporated areas patrol minutes are in line with contract cities**
- **Successfully transitioned the Office of Public Safety into the newly created County Services Bureau**

Internal Services Department



- **Energy Efficiency Projects (Lighting Retrofits/Controls, HVAC, Retro-commissioning)**
 - \$21 million Countywide annual savings in electric and natural gas costs
 - Cumulative savings of \$152 million since FY 1994-95 (cumulative project costs of \$51 million)
- **Telecommunications Efficiencies**
 - \$4 million Countywide annual savings from reduction in low usage phone lines
 - \$1 million per year savings from renegotiated Cisco maintenance contract
- **Information Technology Efficiencies**
 - Windows server virtualization has saved approximately \$5 million over the last 5 years
 - \$2 million + savings from Desktop ("thin client") virtualization project
 - Software license management program has saved \$28 million over 5 years through agreement negotiations, cancellations, etc.
- **Elimination of 261 vacant budgeted positions over the last 3 years**

Efficiency Initiatives



Over the last two years, the County has instituted efficiency measures that have resulted in savings of \$145 million through FY 2010-11 and is projected to achieve savings of over \$200 million by the end of FY 2011-12.

- **Health Services Department (\$121 million)**
 - Standardizing drug formulary options and improved inventory management \$87.8 million
 - Reduced discretionary services, supplies, and fixed assets spending \$11.6 million
 - Overtime reduction \$3.6 million
 - Reduce reimbursement claim denials through physician education and monitoring \$2.8 million
 - Sterilized and repacked medical and surgical instruments \$1.2 million
- **Public Health Department (\$28 million)**
 - Pharmaceutical drug savings and improved inventory management \$7.5 million
 - Increased third-party fund matching for Children's Medical Services \$4.2 million
 - Enhanced staff training on Medi-Cal claims to capture reimbursable activities \$2.8 million
 - Aggressive monitoring of laboratory expenditures \$1.9 million
- **Assessor (\$5 million) through various systems automation, server consolidation, and cross-training of staff to reduce overtime**
- **All other efficiency initiatives (\$64 million)**
- **Chief Information Office is leading departments to implement various technology efficiency projects such as server virtualization, managed print services, PC power savings, video conferencing, and paper reduction/automation**



Through the leadership of the Board of Supervisors and our partnership with County labor unions over the last three years, we have achieved:

- ✓ No Layoffs**
- ✓ No Furloughs**
- ✓ Labor Agreed to \$0 Cost of Living Adjustments**
- ✓ Labor Agreed to Reduced Employee Benefits**
- ✓ County Reduced the Use of Temporary Employees**

USE OF RESERVES TO BALANCE THE BUDGET



- ✓ **Use of reserves has been balanced with permanent curtailments**
- ✓ **No debt issued to fund operations or retirement**
- ✓ **County still maintains reserves - \$228 million**
- ✓ **Any unanticipated revenues should be used to supplement reserves and address State budget issues**

Cumulative Departmental Net County Cost and Budgeted Positions Reductions



Over the past four years, the County has implemented structural changes to our budget by cutting \$406.1 million in net County cost and by eliminating 2,735 budgeted positions.

Fiscal Year	2008-09	2009-10	2010-11	2011-12	Total
Net County Cost Reductions (Millions)	\$ 33.0	\$ 162.9	\$ 175.0	\$ 35.2	\$ 406.1
Budgeted Positions Changes	96	(1,748)	(826)	(257)	(2,735)

County Pensions



- ✓ **In 2000, governmental officials across the state began enhancing retirement benefits as a result of changes in retirement laws.**
- ✓ **Despite statewide and national trend towards increase in pension benefits, the Los Angeles County Board of Supervisors held firm and resisted pension increases.**

County Pensions



- ✓ **County instituted pension reform 30 years ago that State and local governments are embracing today including**
 - ✓ **One of the lowest retirement benefits plans in the state**
 - ✓ **Significant employee contributions**
- ✓ **Pension trust is well funded and the County has always made timely payments to the fund**
- ✓ **Pension fund investment earnings of 11.6 percent in 2009-10 exceeded the actuarial benchmark rate of 7.75 percent and are on track to exceed it again this year**

Long-Term Financial Stability



- ✓ **All three rating agencies assigned their highest short-term rating to the County for the 14th consecutive year in 2010-11**
- ✓ **County debt burden falls substantially in 2011-12 with retirement of Pension Obligation Bonds**
- ✓ **Last year Standard & Poor's assigned a positive outlook to the County long-term bonds**
- ✓ **County is pursuing retiree healthcare reform**
- ✓ **County is in the process of establishing Other Post Employee Benefits (OPEB) trust fund**

State Budget Actions



- ✓ **State budget changes not included in the County Recommended Budget**
- ✓ **State budget solutions of \$11.2 billion were approved after County budget went to print**
- ✓ **State budget impact to County-administered health and social services programs - \$366.4 million**
- ✓ **Public Safety Realignment on hold until funding is identified by the Governor**

Economic Outlook



Economic indicators pointing towards recovery

- ✓ **Increased hiring and a reduction in unemployment rate nationally and statewide**
- ✓ **New jobs create an increase in demand for goods and services, which leads to higher sales tax revenues**

2011-12 Budget Calendar



Event	Date
Recommended Budget Released	April 19, 2011
Public Hearings	May 11, 2011
Budget Deliberations	June 20, 2011 until conclusion