County of Los Angeles

2011-12 Recommended Budget

"To Enrich Lives Through Effective and Caring Service"

Submitted to the

Board of Supervisors

by

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and

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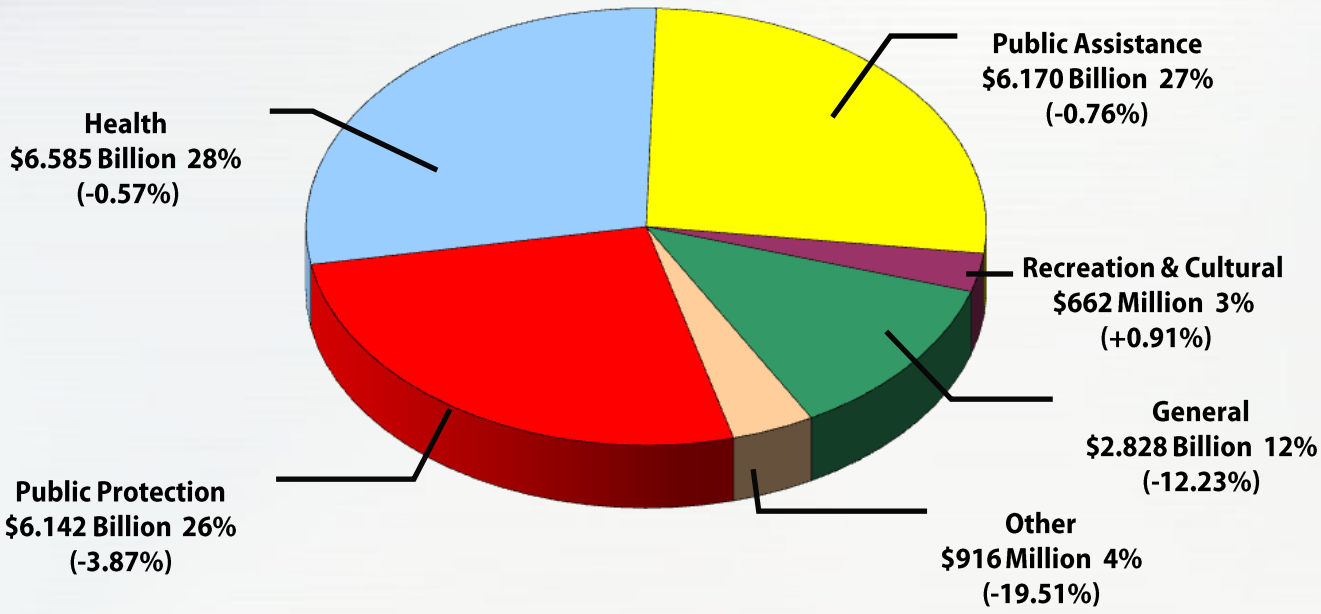
2011-12 Recommended Budget ($23.303 Billion)



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%

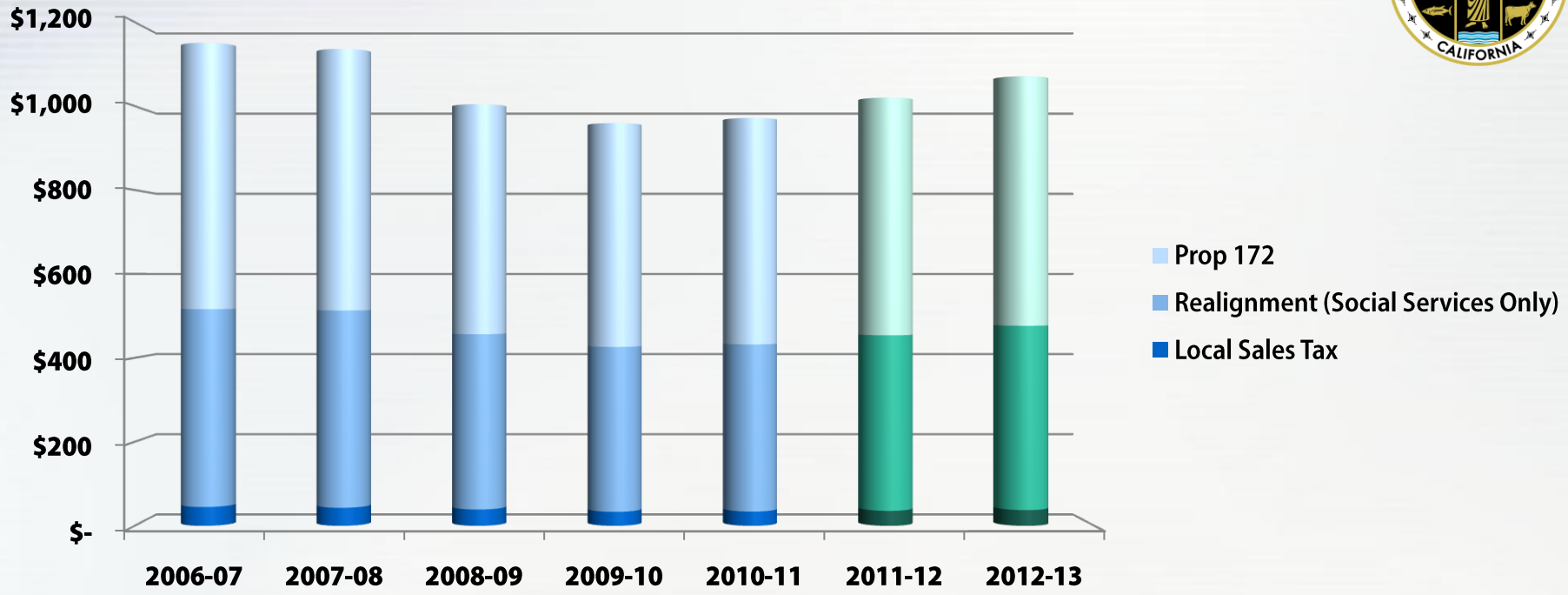
*** Does not include all year-end fund balances.**

Primary Drivers of Budget Changes

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

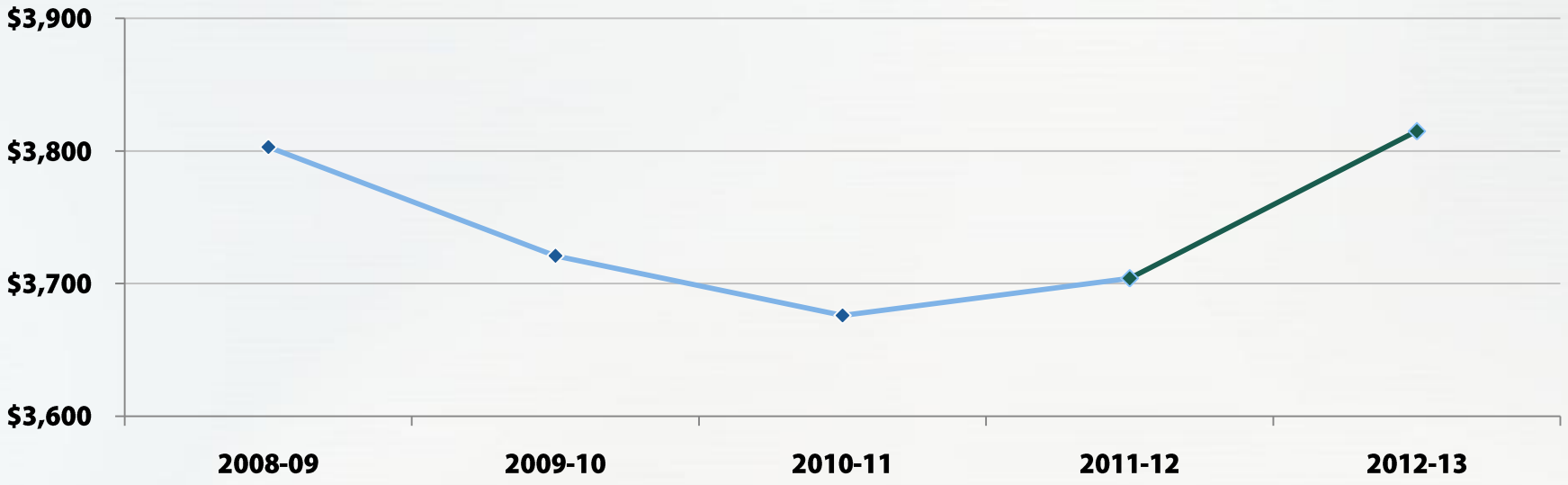
- ✓ 2010-11 One-Time Budget Solutions – ($262.0 Million)
- ✓ Expiration of Federal Stimulus Funding – ($63.9 Million)
- ✓ Unavoidable Cost Increases – ($89.0 Million)
- ✓ Assistance Caseload Changes – ($32.7 Million)
- ✓ Revenue Increases - $78.0 Million
- ✓ Retirement of Pension Obligation Bonds - $106.6M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

Sales Tax Projection ($ in Millions)



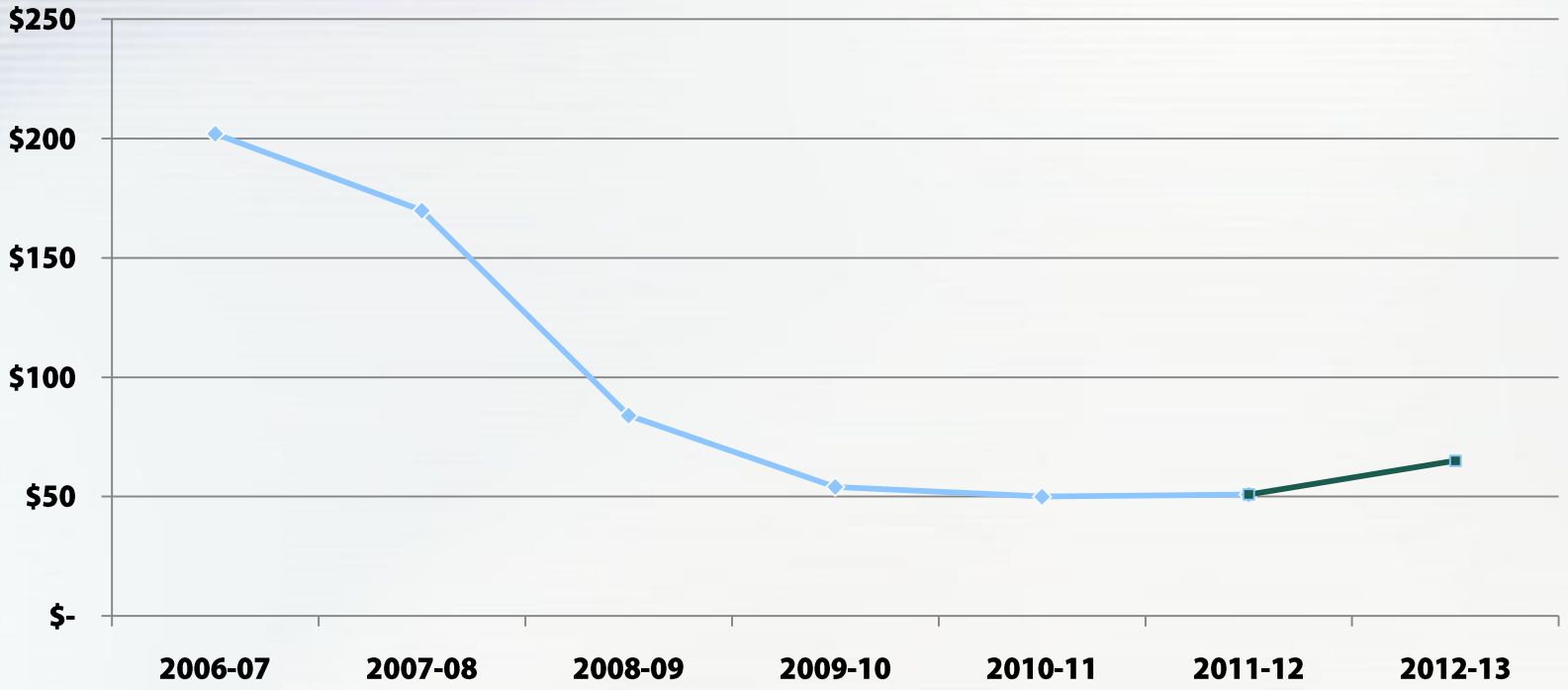
Sales Tax (Millions)	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Estimate 2010-11	Recommended Budget 2011-12	Projected 2012-13
Local Sales Tax	$ 44.8	$ 43.0	$ 38.9	$ 33.3	$ 34.0	$ 35.7	$ 37.5
Realignment Sales Tax (Social Services Only)	471.3	469.9	417.5	392.9	398.1	418.1	439.0
Prop 172 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)



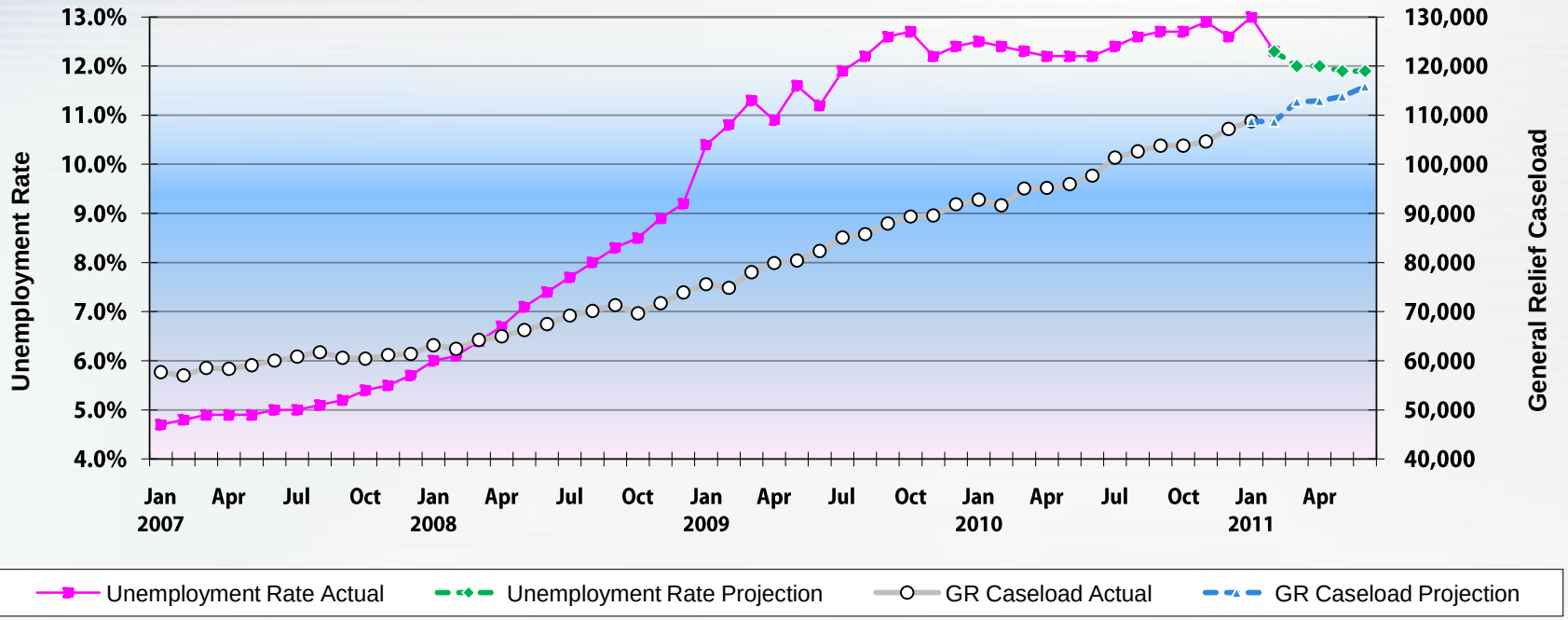
	Actual 2008-09	Actual 2009-10	Estimate 2010-11	Recommended Budget 2011-12	Projected 2012-13
Property Taxes (Billions)	$ 3.803	$ 3.721	$ 3.676	$ 3.704	$ 3.815
Change from previous year		$ (0.082)	$ (0.045)	$ 0.028	$ 0.111
% Change from previous year		-2.16%	-1.21%	0.76%	3.00%

Investment Earnings Projection ($ in Millions)



	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Estimate 2010-11	Recommended 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