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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County of Los Angeles
2011-12 Recommended Budget (in Billions)

Fund	FY10-11 Adopted Budget	FY11-12 Recommended Budget	Change From Budget	% Change From Budget
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.**

Budget Economic Outlook

- The 2011-12 Recommended Budget is shaped largely by the impact of the deep and painful recession.

- The nation continues to struggle with the far reaching effects of the recession. The recession, which began in December 2007 and ended in June 2009, was the longest post World War II recession lasting eighteen months. The root causes of the recession, the troubles in the real estate and financial sectors, continue to hamper employment growth and consumer spending. The unemployment rate for the County increased to 13.1 percent in January 2011, up from 12.4 percent in February 2011. County sales tax revenues, which peaked in 2006-07, are down by 15 percent compared to the taxable sales we project to collect in FY 2010-11

- The mainstream view for the near-term outlook for the nation and California shows slow growth for the remainder of 2011 with recovery beginning in the State's coastal regions first. Unfortunately, most economists continue to forecast high unemployment rates through the end of 2011.

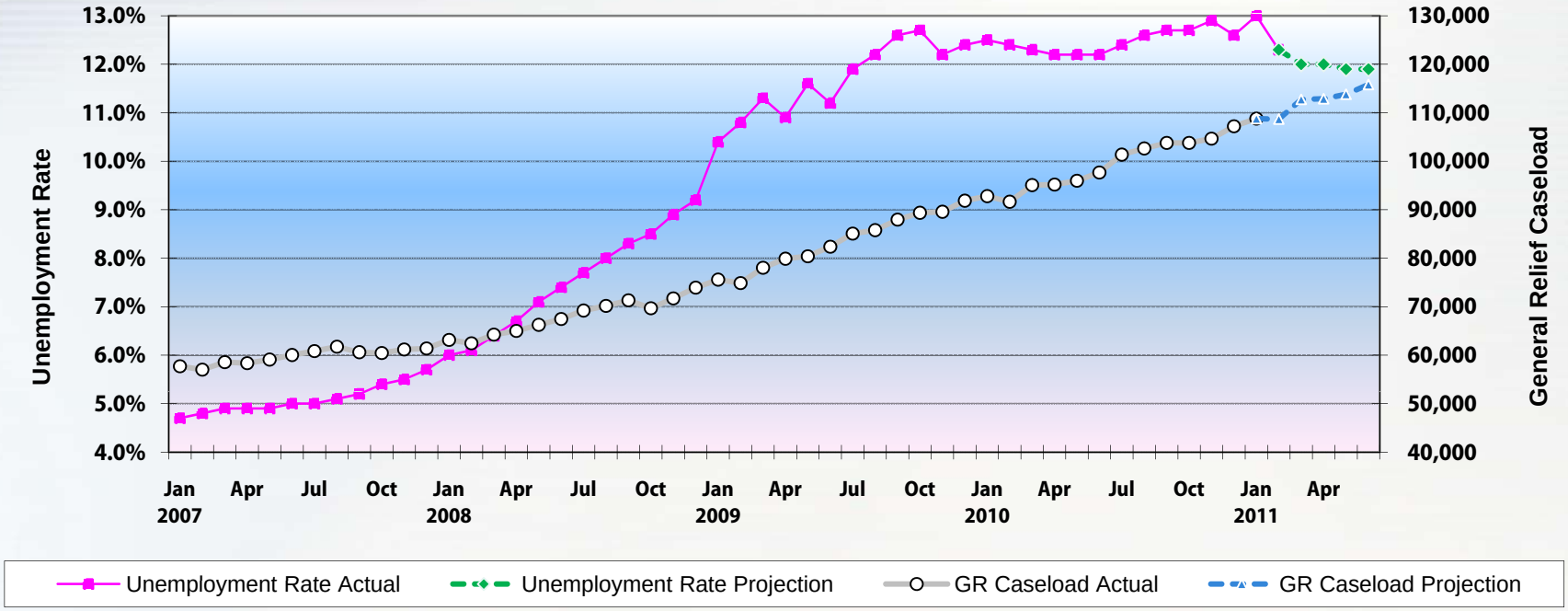
Budget Overview

This year we face a net County cost budget gap estimated to be $220.9 million. We employed various strategies to balance the budget including departmental budget curtailments, efficiency savings, and use of reserves and capital funding.

Recommended Budget Overview

Public Assistance Program	FY 10-11 Adopted Budget	FY 11-12 Recommended Budget	Change from FY 10-11 Adopted	% Change from FY 10-11 Adopted
General Relief Caseload Per Month	94,690	114,440	19,750	+20.9%
General Relief NCC	$ 226,081,000	$ 276,015,000	$ 49,934,000	+22.1%
In Home Supportive Services Caseload Per Month	195,472	191,018	(4,454)	-2.3%
In Home Supportive Services NCC	$ 304,299,000	$ 356,030,000	$ 51,731,000	+17.0%

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)

Financing Assumptions – Locally Generated Revenues

Major Revenue Source	FY 10-11 Adopted Budget	FY 11-12 Recommended Budget	Change from FY 10-11 Adopted	% Change from FY 10-11 Adopted
Property Tax	$ 3.676 billion	$ 3.704 billion	$28 million	0.76%
Local Sales Tax	$ 37.5 million	$ 35.7 million	- $1.8 million	-4.8%
Public Safety Augmentation (Prop 172 Sales Tax)	$ 554.5 million	$ 566.2 million	$11.7 million	2.1%
Realignment Sales Tax (Social Services Only)	$ 408.6 million	$ 418.1 million	$9.5 million	2.3%
Deed Transfer Tax	$ 40.2 million	$ 44.5 million	$4.3 million	10.7%

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)

Impact of Budget Recommendations – Public Safety Cluster

Major changes included in the FY 11-12 Recommended Budget include:

Sheriff's Department

- Reduction of $15.0 million in their services and supplies budget, which reflects a 1.3 percent decrease in the Sheriff's NCC budget.

- $7.2 million in one-time funding for closed-circuit television (CCTV) to complete phase II and III of the installation of CCTV's at Men's Central Jail. The funding increase will enhance jail security and allow for video documentation of significant incidents.

District Attorney

- $2.0 million reduction and the elimination of 19 vacant budgeted positions. This adjustment reflects a 1.1 percent decrease in the District Attorney's NCC budget.

Impact of Budget Recommendations – Community and Municipal Services Cluster

Major changes included in the FY 11-12 Recommended Budget include:

Parks and Recreation

- A reduction of $2.6 million or 3.3 percent in County funding for the Department. The reduction eliminates 39 vacant budgeted positions.

Public Library

- Reduction of $4.2 million in appropriation and revenue associated with the City of Santa Clarita withdrawing from the County's Public Library System. This decrease is partially offset by a $1.2 million increase in appropriation and revenue due to expanded services at the West Hollywood Library.

Public Works' Road Fund

- Reduction of $165.3 million in appropriation and financing primarily due to a $30.0 million ongoing revenue decrease attributable to the July 2010 State gas tax swap and the deletion of $143.1 million reduction in one-time funding related to the reimbursement for unincorporated County road. These funding decreases are partially offset by a $4.2 million increase in Traffic Congestion Management program funding.

Impact of Budget Recommendations – Health and Mental Health Cluster

Major changes included in the FY 11-12 Recommended Budget include:

Health

- The department's Recommended Budget contains a $312.7 million placeholder reduction. The Department plans to address the deficit primarily with additional 1115 Waiver revenue and other cost-cutting measures.

Mental Health

- The Department's Recommended Budget reflects a $14.7 million placeholder reduction in services and supplies to close its projected budget gap. The Department will collaborate with stakeholders and community partners to develop a curtailment plan for restructuring the mental health service delivery system to achieve these savings.

Public Health

- $1.0 million in cost savings along with $2.9 million in new revenues, and a placeholder reduction of $14.3 million to the Department's services and supplies budget.

Impact of Budget Recommendations – Children and Families' Well-Being Cluster

Major changes included in the FY 11-12 Recommended Budget include:

Children and Family Services

- Reduction of $2.0 million primarily to the Department's services and supplies budget. This reflects a 4.1 percent decrease in County funding.

Public Social Services

- Reduction of $5.1 million in the department's NCC budget, which equates to a 7.0 percent decrease primarily in the department's services and supplies appropriation.

- Public Social Services Administrative budget reflects a $104.0 million reduction in appropriation and federal Temporary Assistance for Needy Families (TANF) ECF revenues. The funding for this program, which provides transitional subsidized employment, short-term non-recurrent and basic assistance, expired in September 2010.

Community and Senior Services

- $15.0 million reduction in appropriation and federal funding due to the elimination of federal stimulus funding that provided employment and training services.

Impact of Budget Recommendations – Operations

Major changes included in the FY 11-12 Recommended Budget include:

Assessor

- Reduction of $1.9 million and the elimination of 10 budgeted temporary employee positions. These decreases account for a 2.5 percent reduction in County funding for the Department. The reductions primarily impact services, supplies and equipment.

Capital Projects Summary

The 2011-12 Recommended Capital Projects/Refurbishments Budget appropriates $1.1 billion for continued development, design, and construction of projects that address high priority health, public safety, recreation, and infrastructure needs. The recommended appropriation reflects a decrease of $343.3 million from the 2010-11 Final Adopted Budget, due to the completion of 40 projects in 2010-11, the transfer of funds to supplement the County's 2011-12 Recommended Budget, and the issuance of bonds to finance certain projects. The recommended 2011-12 appropriation is highlighted by the following:

- Public protection facilities, such as the construction of new housing for females at Pitchess Detention Center, new construction at the Biscailuz Center Training Academy, construction of new fire stations in the Santa Clarita Valley, implementation of fire station privacy and access improvements, security improvements at Probation juvenile halls and camps, and construction of a new animal shelter in the east Antelope Valley;

- Recreational facilities including construction of swimming pool facilities, athletic fields, and gymnasiums at County parks, and facility refurbishments at County beaches;

Capital Projects Summary

- General government facilities highlighted by the construction of a new countywide data center in Downey;

- Health, public health, and mental health facilities, including 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 a mental health outpatient clinic at Harbor-UCLA Medical Center, construction of a new public health center in South Los Angeles, and construction of new surgery and emergency suites at Harbor-UCLA Medical Center;

- Construction of new or replacement libraries in the unincorporated area of Stevenson Ranch, the San Gabriel Valley, Diamond Bar, and East Rancho Dominguez, and refurbishment of the historic Patriotic Hall; and

- High priority infrastructure improvements in the County's roads, flood control and aviation facilities, soil and groundwater investigation and remediation activities, beautification of the County's Eastern Hill complex and watershed testing efforts.

One-Time Bridge Funding

Over the past decade, 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 one-time funding sources and to modify the financial structure of the County's capital program to help bridge our budget gap. It is important to note that neither of the County's primary reserves (Rainy Day Fund - $93.2 million nor the Provisional Financing Uses-Economic Reserve - $82.9 million) were used to close this year's budget gap. These reserves remain intact and available to address future uncertainties, help meet daily cash flow needs, and preserve our credit ratings.

State Budget Potential Impacts

In January 2011, the Governor's budget proposed a vast and historic restructure of government operations through the realignment of programs from the State to the local governments. The impact of the 2011-12 Proposed State Budget to the County is estimated to be approximately $450.8 million.

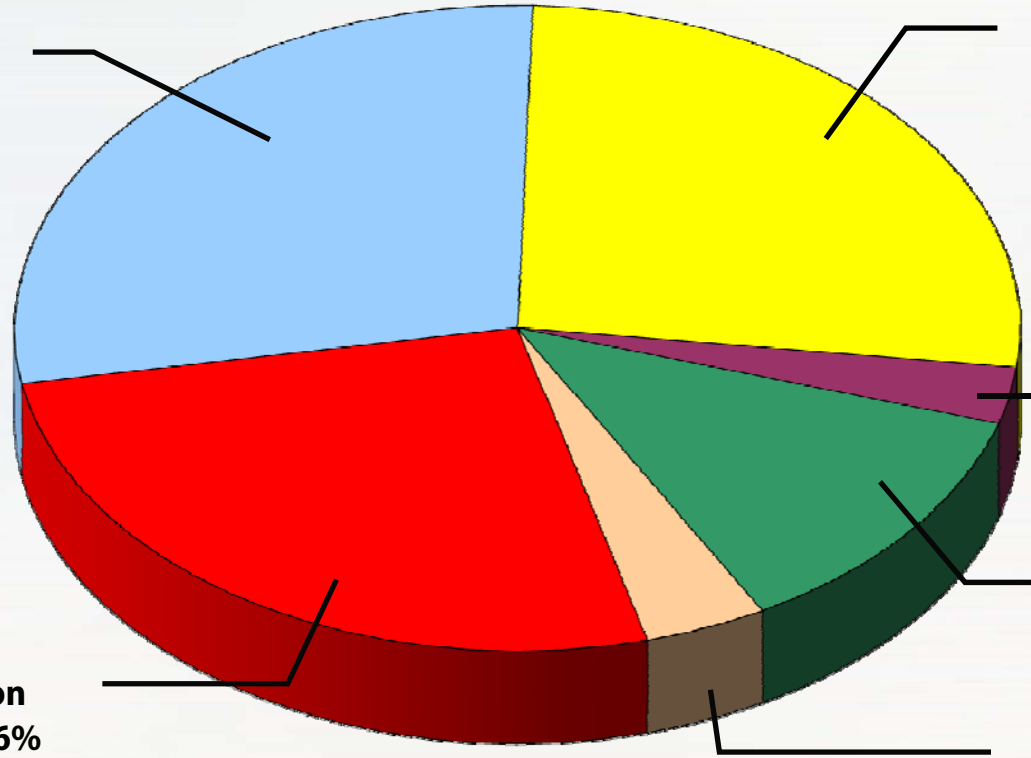
On March 24, the Governor signed into law an $11.2 billion in State budget cuts. We estimate the impact to the County to be $366.4 million primarily in health and social services programs. The major elements of the cuts would reduce Medi-Cal, redirect Mental Health Services Act Funds, reduce CalWORKS grants and provide program reductions to the IHSS program. However, the County could realize NCC savings of approximately $50.0 million from the IHSS program reductions.

Federal Budget Potential Impacts

The President proposes to freeze overall non-security discretionary spending over the next five years, and does not propose significant net reductions in entitlement (mandatory) spending, such as Medicaid, Title IV-E Foster Care and Adoption Assistance, TANF, and Child Support Enforcement, which account for most of the federal revenue received by the County.

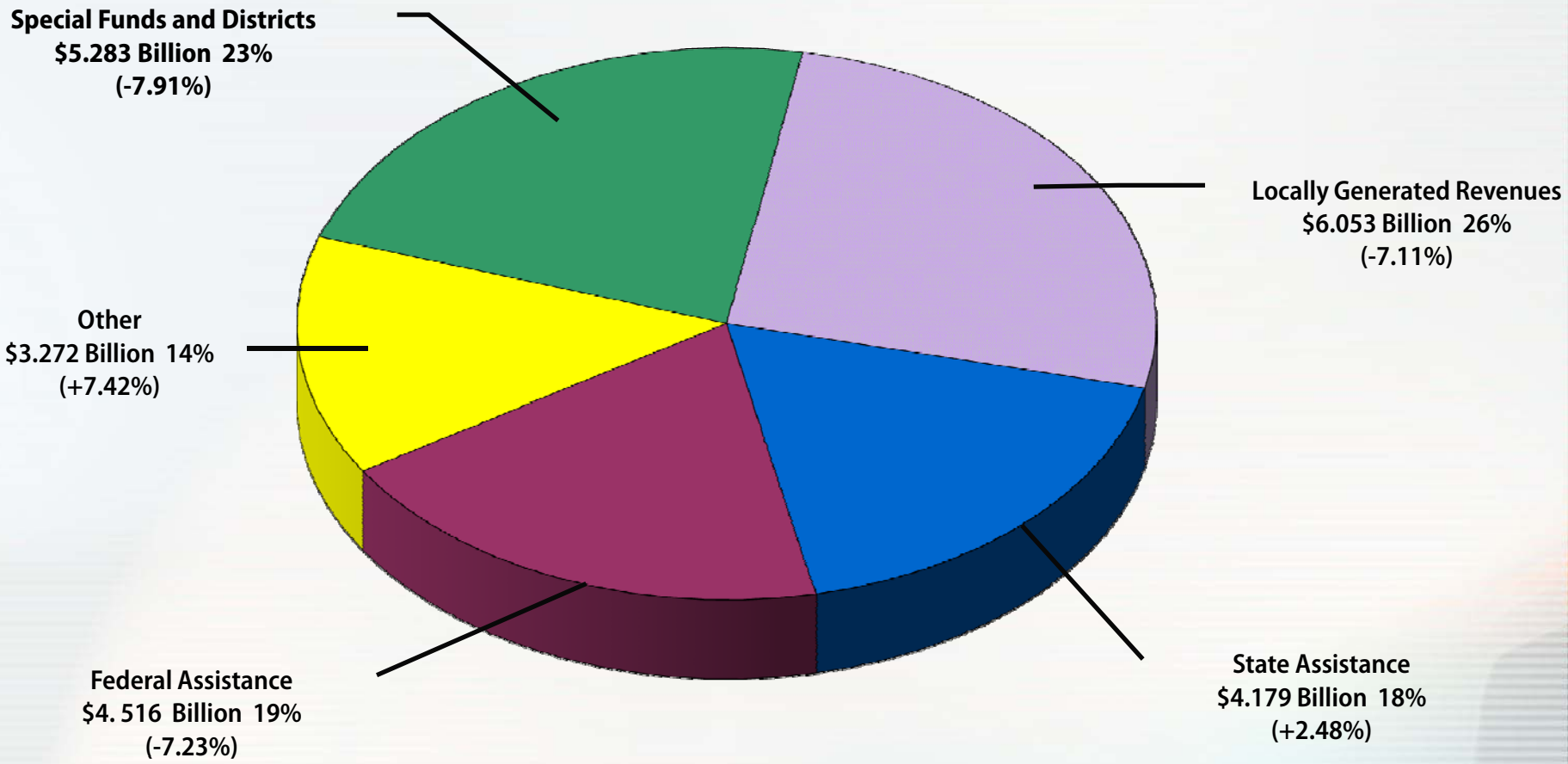
The federal budget outlook is unclear since there are major differences on budget issues between the Republicans and Democrats. These differences are so great that none of the twelve federal fiscal year (FFY) 2011 appropriations bills had been enacted as of April 1, 2011, which is halfway through FFY 2011. While both parties believe that the federal budget deficit should be significantly reduced, there is not any consensus on how (and how quickly) the budget deficit should be reduced. Historically, federal programs are funded at or near their prior-year levels when there is "gridlock" in Washington, D.C. In addition, when major changes are enacted in federal legislation, there typically is a delayed effective date. This means that most of the impact of federal budget legislation enacted later in this calendar year is unlikely to be felt by the County until after 2011-12.

Total Cost By Function
$23.303 Billion (- 3.89%)

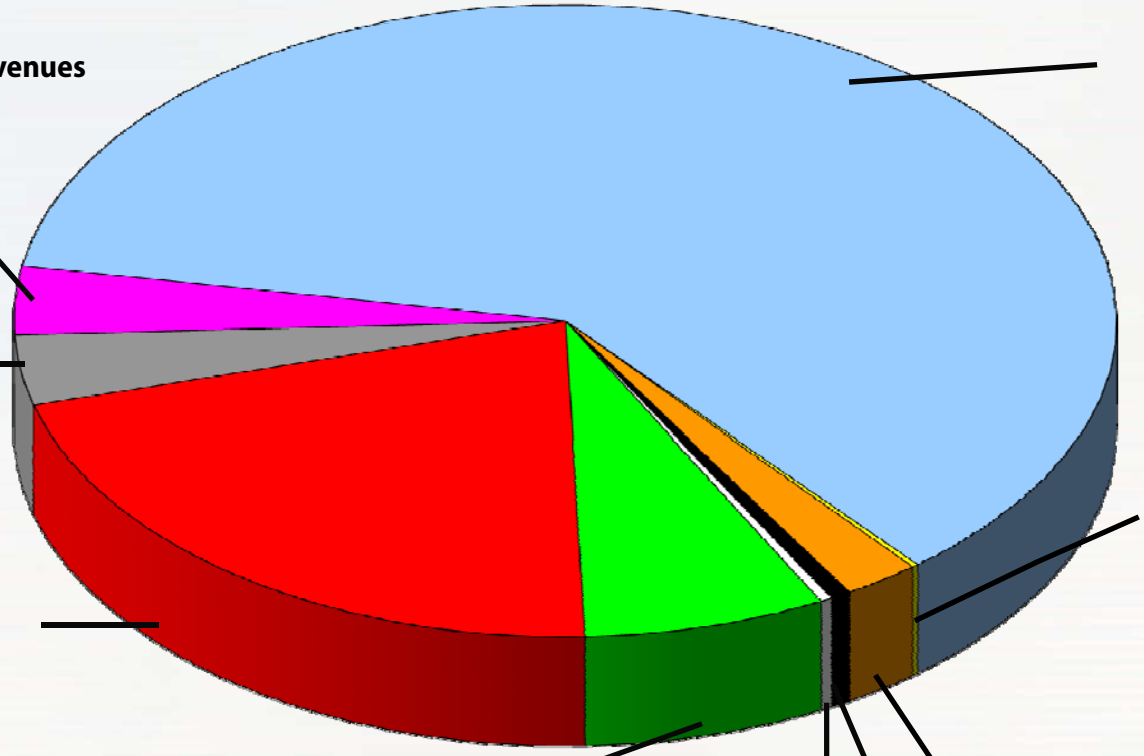


Budgeted Positions: 101,039 (- 0.25%)

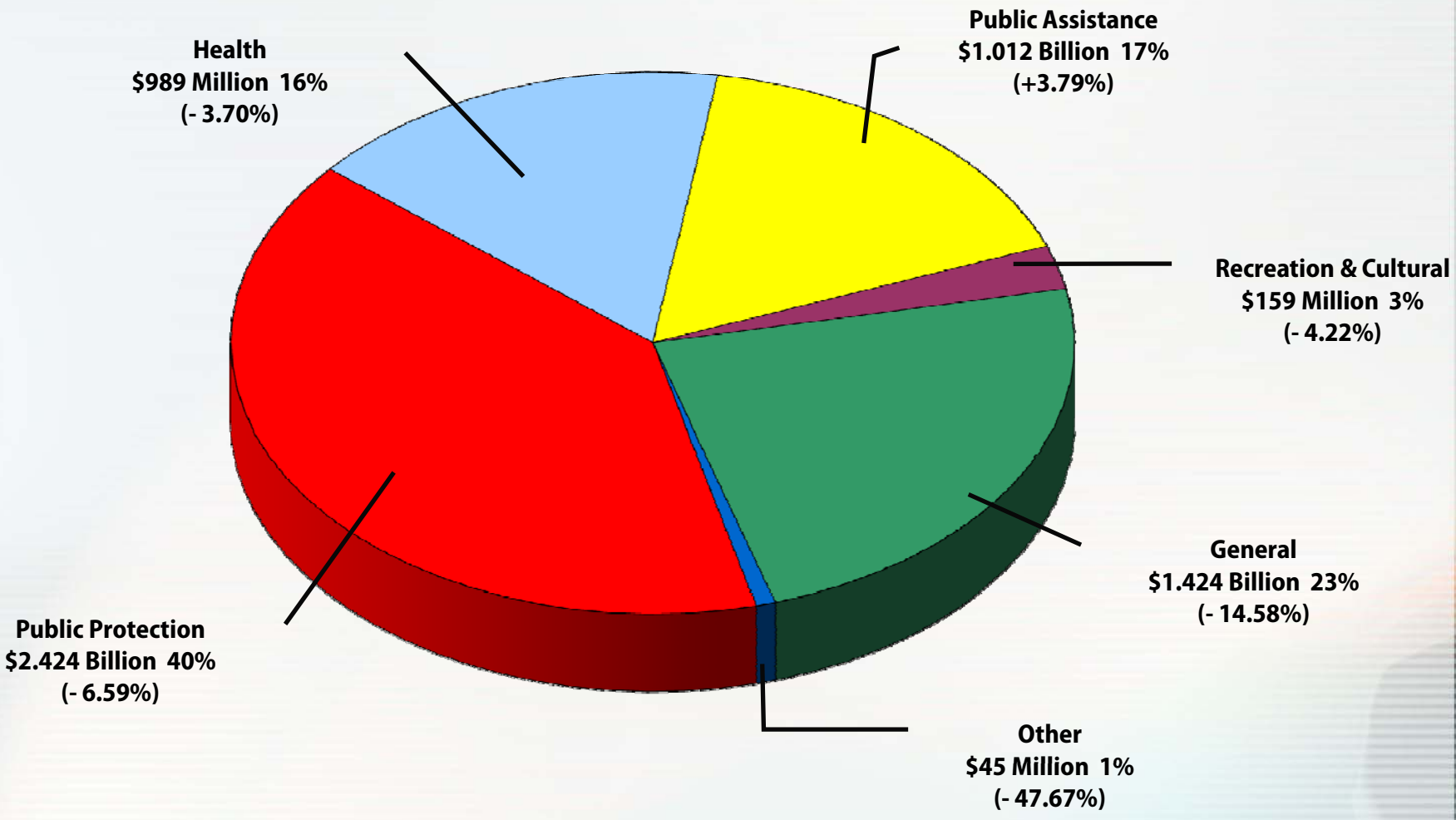
Total Revenue
$23.303 Billion (- 3.89%)



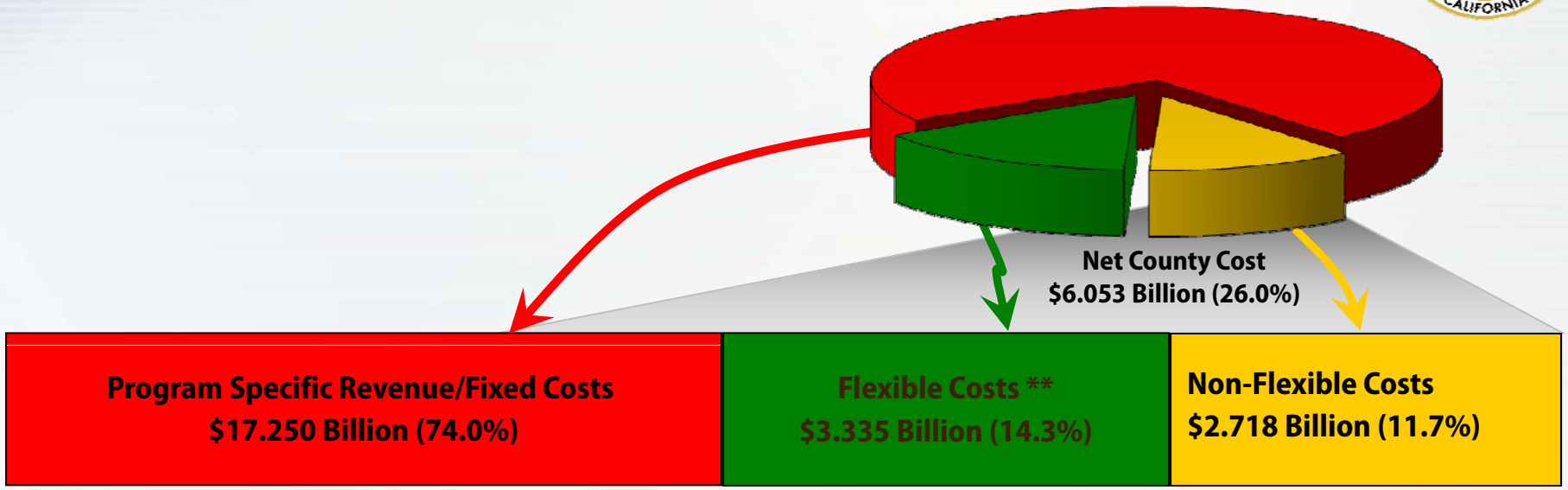
Locally Generated Revenues
$6.053 Billion (- 7.11%)



Net County Cost By Function
$6.053 Billion (- 7.11%)



Total Recommended Budget $23.303 Billion*



Mandated vs. Discretionary Cost

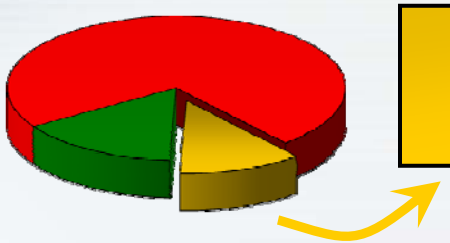
* Excludes major interfund transfers of revenue that would artificially inflate the size of the total County budget

** Flexible Costs include one-time only expenditures and mandatory functions with discretionary service levels

Program Specific Revenue/Fixed Costs

$17.250 Billion (74.0%)

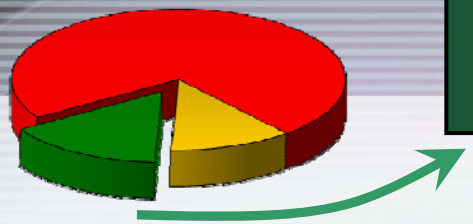
($ in millions)		
Health/Social Services		$ 9,318.7
Property Tax Administration		$ 87.5
Proposition 172 - Public Safety Augmentation Fund		$ 566.3
Sheriff	$ 479.7	
District Attorney	$ 86.6	
Special Funds/Districts		$ 5,283.5
Revenues That Offset Costs		$ 1,844.2
Trial Court Funding		$ 149.6



Non-Flexible Costs
$2.718 Billion (11.7%)

MOE & Mandatory Costs/Services $2.654 Billion (11.4%)	
Alternate Public Defender	$ 51.3
District Attorney - Criminal	$ 50.5
Health/Mental Health	$ 590.3
Other Court Related	$ 283.1
(Includes Indigent Defense of $59.9)	
Probation - Other	$ 264.1
Public Defender	$ 163.5
Social Services	$ 823.2
Sheriff	$ 428.7

Other Non-Flexible Costs $64.0 Million (0.3%)	
Grand Jury	$ 1.7
Judgments & Damages/Insurance	$ 19.7
Museums Obligation	$ 42.6



Flexible Costs
$3.335 Billion (14.3%)

Public Protection
$1.167 Billion (5.0%)

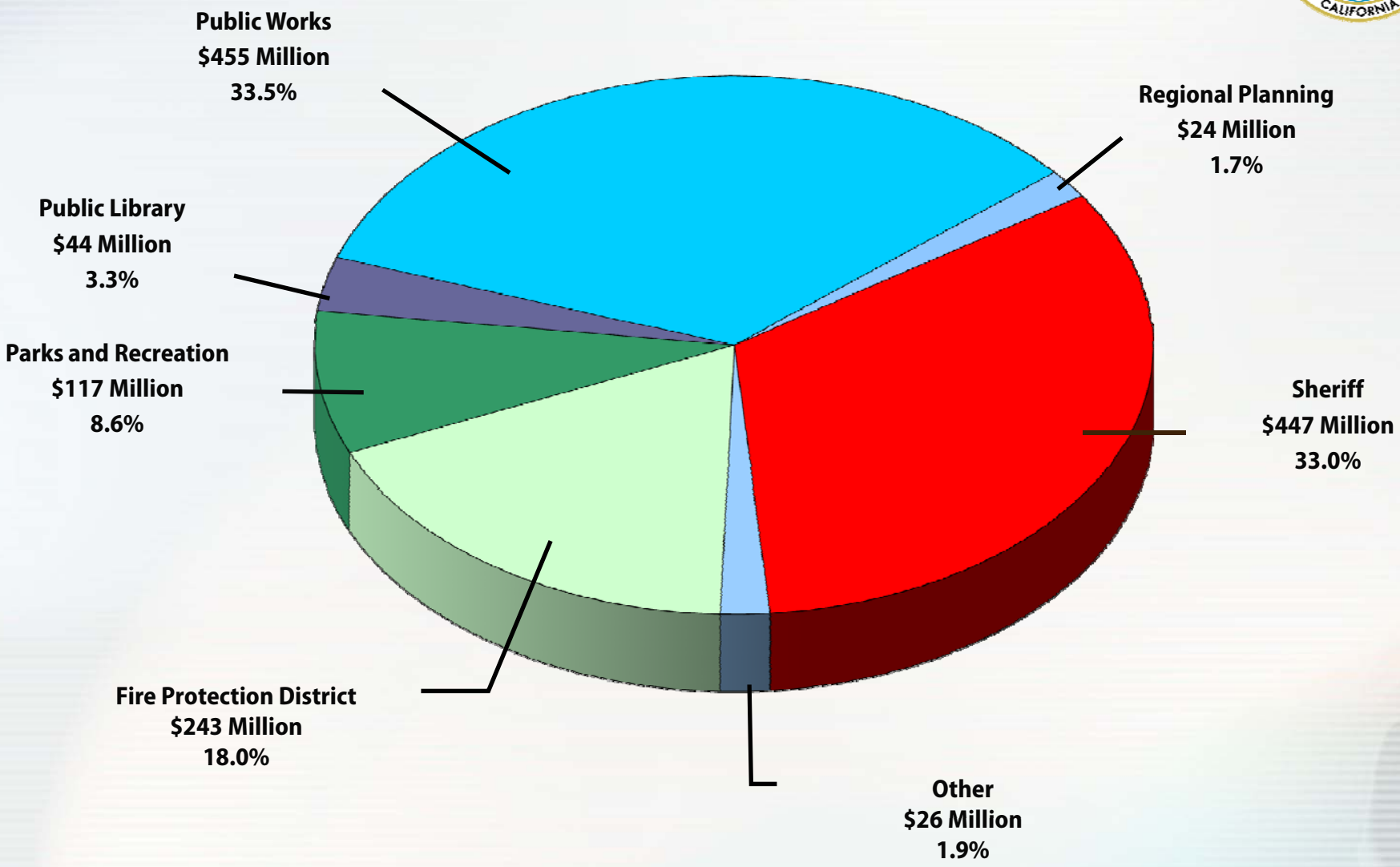
Community-Based Contracts	$ 2.8
Coroner	$ 26.3
District Attorney- Criminal	$ 128.8
Emergency Preparedness	$ 4.8
Fire - Lifeguards	$ 25.5
Information Systems Advisory Body	$ 0.2
LARICS	$ 7.4
Probation – Camps/Support Services	$ 202.2
Sheriff	$ 769.4

All Other Costs
$2.167 Billion (9.3%)

Agr. Comm./Wts. & Measures	$ 8.2
Animal Care and Control	$ 18.7
Capital Projects	$ 549.4
CSS - Consumer Affairs	$ 4.2
Countywide Services	$ 79.1
Extraordinary Maintenance	$ 110.9
General Government	$ 441.5
Health-Drug Court	$ 1.8
Health-GF Contribution	$ 273.6
Health-Tobacco	$ 108.0
Health/Mental Health-Others	$ 54.7
Homeless Services	$ 41.7
Other Public Services	$ 122.5
Parks and Recreation	$ 104.7
Project & Facility Development	$ 59.3
Provisional Financing Uses	$ 116.5
Other Recreation and Cultural	$ 12.5
Regional Planning	$ 15.2
Reserves/Designations	$ 44.8

Flexible Costs include one-time only expenditures and mandatory functions with discretionary service levels

Unincorporated Area Services Program Summary
Gross Appropriation: $1,356 Million



2011-12 Budget Calendar

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