



County of Los Angeles 2012-13 Recommended Budget

**Submitted to the
Board of Supervisors**

by

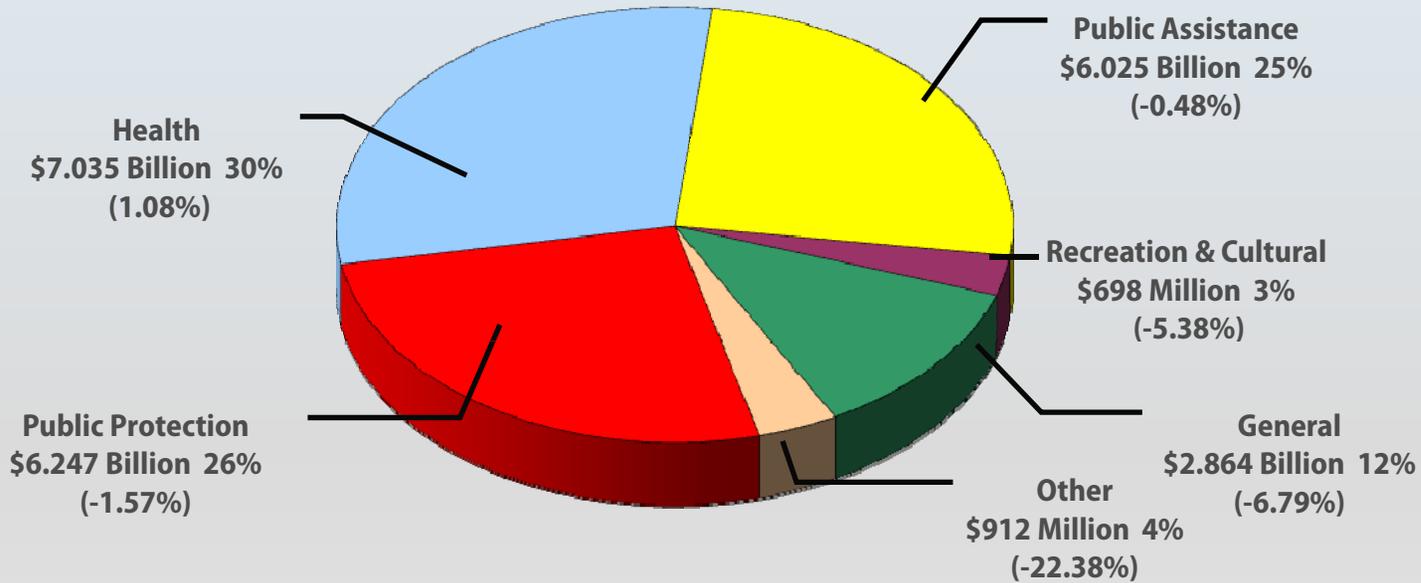
William T Fujioka, Chief Executive Officer

and

Wendy L. Watanabe, Auditor-Controller



2012-13 Recommended Budget – \$23.781 Billion



Fund (in Billions)	Adopted Budget	Recommended Budget	From Prior Year	From Prior Year
Total General County	\$18.499	\$18.224	(\$0.275)	-1.5%
Special Funds/Districts	5.847	5.557	(0.290)	-5.0%
Total Budget	\$24.346	\$23.781 *	(\$0.565)	-2.3%
Budgeted Positions	101,425	101,610	185	0.2%

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



County of Los Angeles 2012-13 Recommended Budget

Through the leadership of the Board of Supervisors, department heads and managers, along with the hard work of our employees and our partnership with County labor unions over the last four years, we have achieved:

- ✓ No Major Service Reductions
- ✓ No Layoffs
- ✓ No Furloughs
- ✓ Labor Agreed to \$0 Cost of Living Adjustments
- ✓ Preserved the County's Primary Reserves



Primary Drivers of Budget Changes

2012-13 NCC* Budget Gap – (\$75.8) million

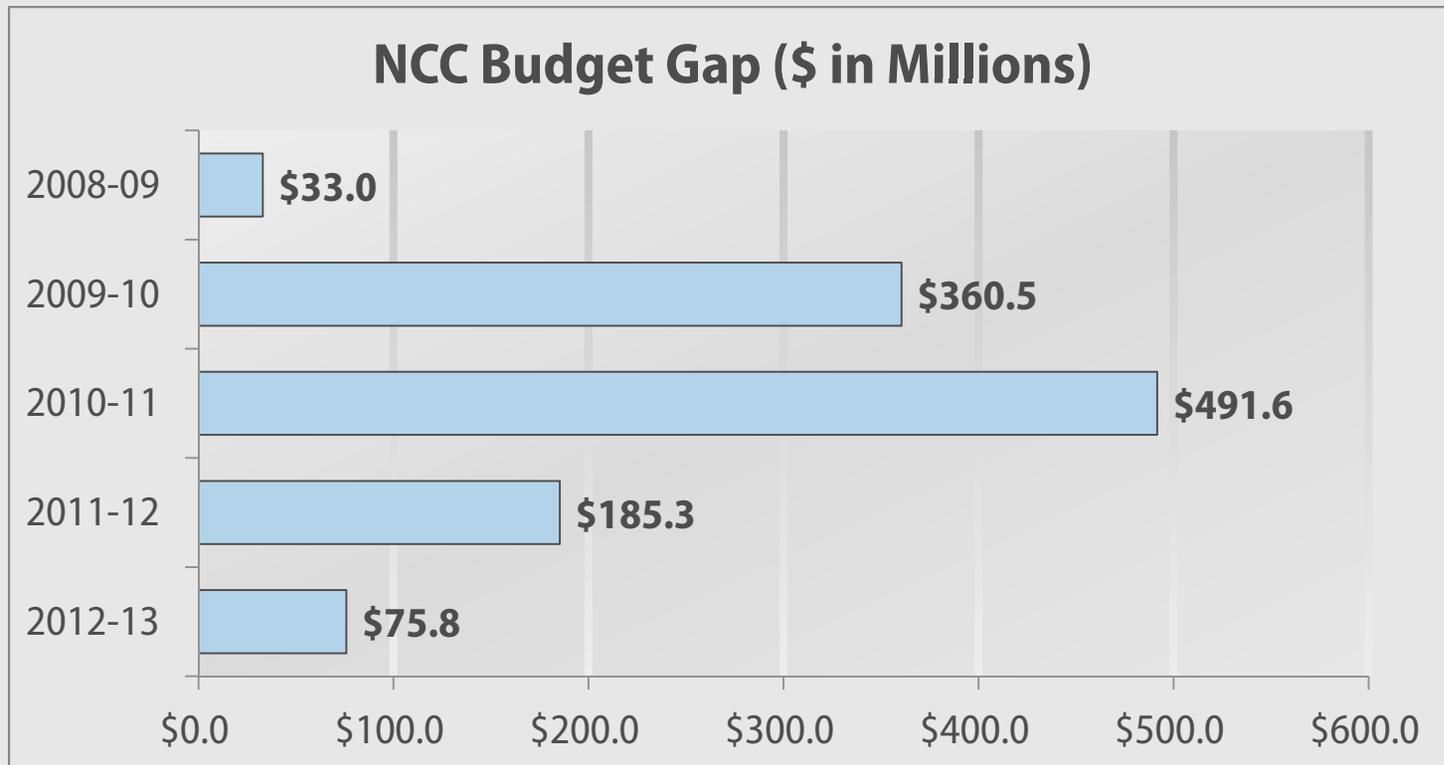
- ✓ **Use of 2011-12 One-Time Budget Solutions – (\$185.3) million**
- ✓ **Unavoidable Cost Increases – (\$103.7) million**
- ✓ **Program Changes – (\$31.5) million**
- ✓ **Revenue Increases - \$187.7 million**
- ✓ **Assistance Caseload Reductions - \$33.1 million**
- ✓ **Use Ongoing Funding for One-Time Needs in 2011-12 - \$23.9 million**

*Net County Cost (NCC) is the portion of the County budget that is financed with locally generated revenues.



NCC Budget Gap History

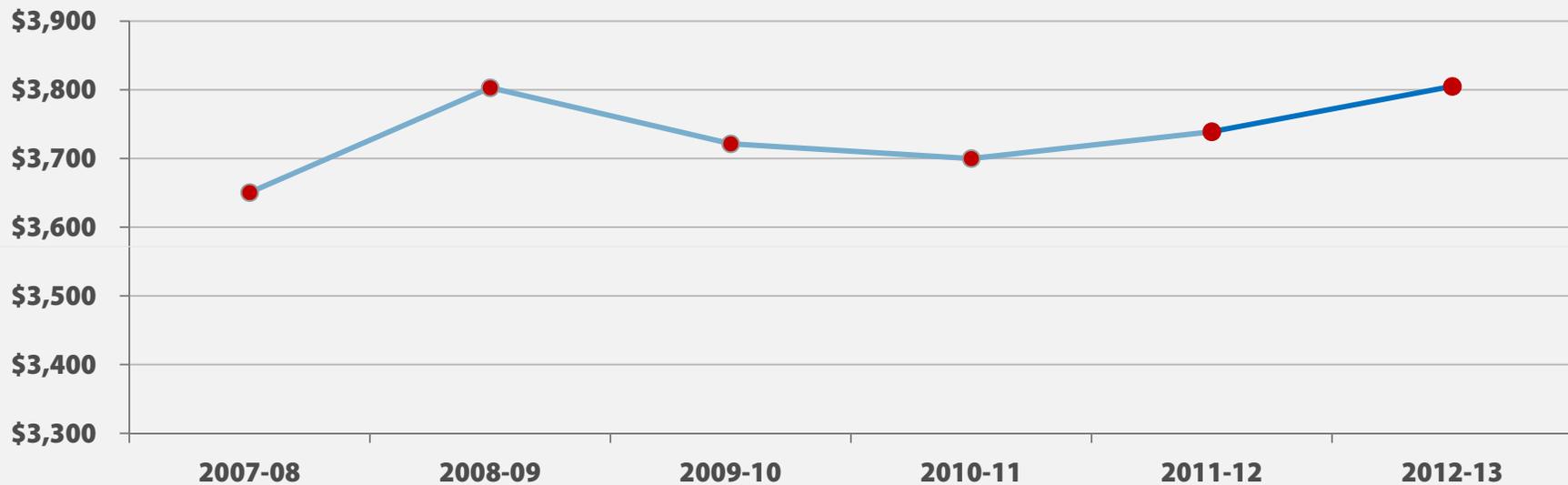
The County has made substantial progress in reducing our Budget Gap during this challenging economic period





Property Taxes Projection

(\$ in Millions)

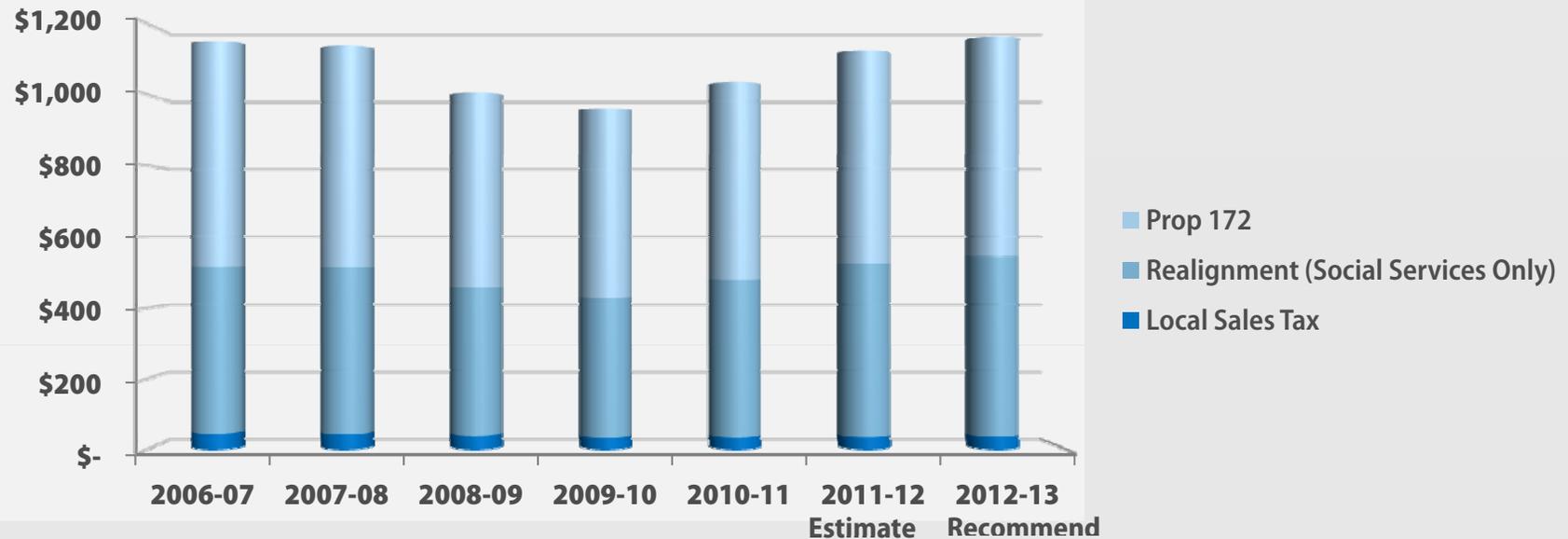


	Actual 2007-08	Actual 2008-09	Actual 2009-10	Actual 2010-11	Estimate 2011-12	Recommended Budget* 2012-13
Property Taxes (Millions)	\$ 3,650.5	\$ 3,803.0	\$ 3,721.4	\$ 3,700.4	\$ 3,738.8	\$ 3,804.8
Change from previous year		\$ 152.5	\$ (81.6)	\$ (21.0)	\$ 38.4	\$ 66.0
% Change from previous year		4.18%	-2.15%	-0.56%	1.04%	1.77%

* Based on Assessor's forecast as of December 15, 2011



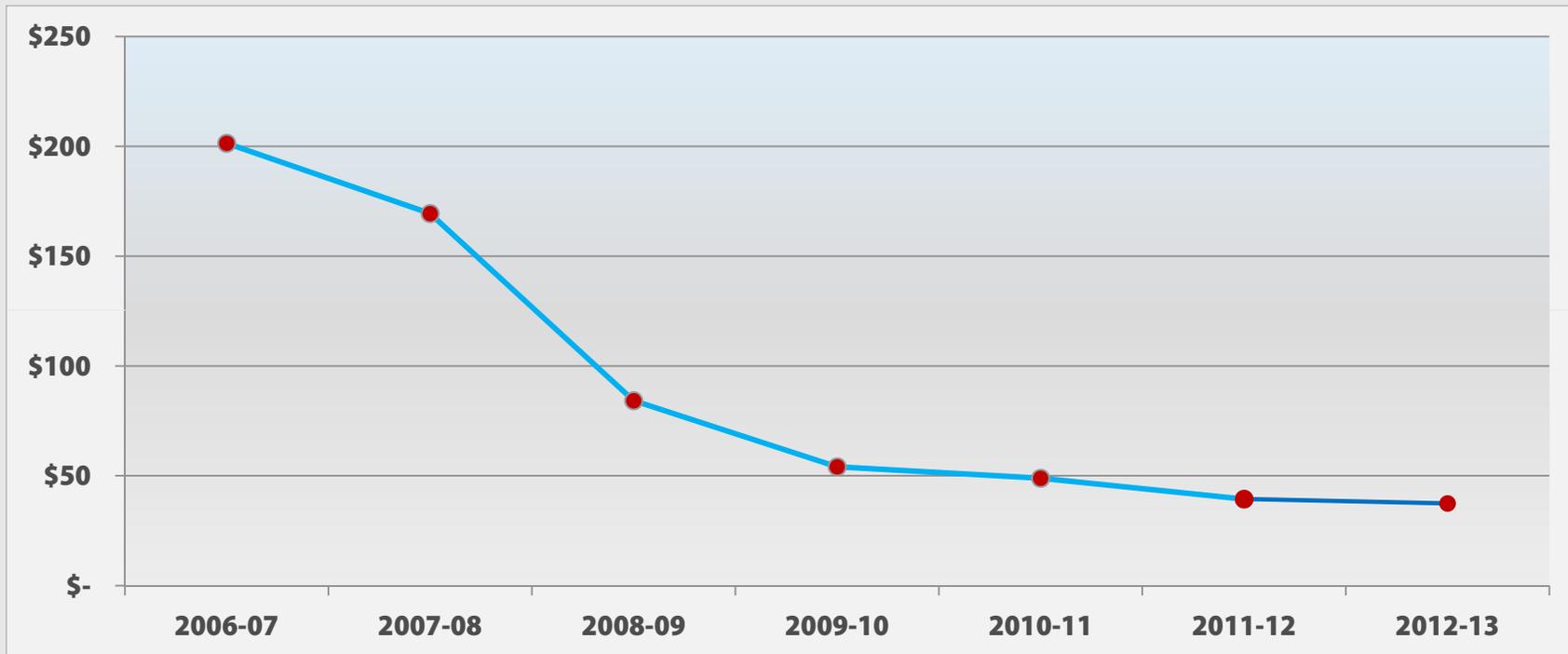
Sales Tax Projection (\$ in Millions)



Sales Tax (Millions)	Actual	Actual	Actual	Actual	Actual	Estimate	Recommended
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Budget 2012-13
Local Sales Tax	\$ 44.8	\$ 43.0	\$ 38.9	\$ 33.3	\$ 34.2	\$ 35.0	\$ 36.2
Realignment Sales Tax (Social Services Only)	471.3	469.9	417.5	392.7	442.9	487.1	508.0
Prop 172 Sales Tax	634.2	623.0	547.9	533.1	556.6	601.4	617.9
Total	\$ 1,150.3	\$ 1,135.9	\$ 1,004.3	\$ 959.1	\$ 1,033.7	\$ 1,123.5	\$ 1,162.1
Change from previous year		\$ (14.4)	\$ (131.6)	\$ (45.2)	\$ 74.6	\$ 89.8	\$ 38.6
% Change from previous year		-1.3%	-11.6%	-4.5%	7.8%	8.7%	3.4%

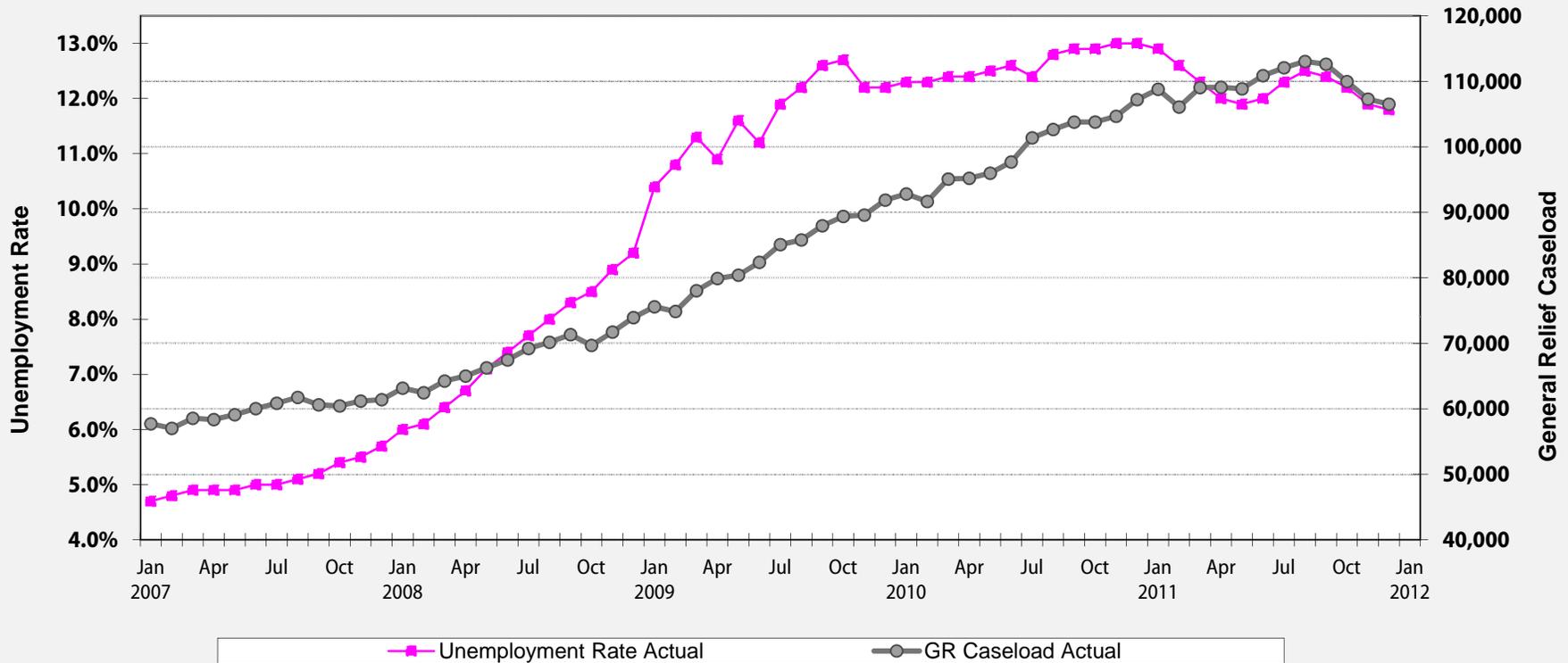


Investment Earnings Projection (\$ in Millions)



	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Actual 2010-11	Estimate 2011-12	Recommended Budget 2012-13
Investment Earnings (Millions)	\$ 201.4	\$ 169.4	\$ 84.2	\$ 54.1	\$ 48.9	\$ 39.4	\$ 34.7
Change from previous year		\$ (32.0)	\$ (85.2)	\$ (30.1)	\$ (5.2)	\$ (9.5)	\$ (4.7)
% Change from previous year		-15.9%	-50.3%	-35.7%	-9.6%	-19.4%	-11.9%

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



	Actual 2007-08	Actual 2008-09	Actual 2009-10	Actual 2010-11	Estimate 2011-12	Projected 2012-13	% Change 2011-12
GR Caseload (monthly)	62,897	74,763	91,499	106,349	108,216	101,518	-6.2%

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



Use of One-Time Solutions 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 - \$176.8M

Reduced reliance on one-time budget solutions



Cumulative Departmental Net County Cost and Budgeted Positions Reductions

Over the past five years, the County has implemented structural changes to our budget by cutting \$360.1 million in net County cost and by eliminating 2,164 budgeted positions.

Fiscal Year	2008-09	2009-10	2010-11	2011-12	2012-13	Total
NCC Changes (Millions)	(\$33.0)	(\$162.9)	(\$174.5)	\$10.3	\$0.0	(\$360.1)
Budgeted Positions Changes	96	(1,748)	(826)	129	185	(2,164)



County Pensions

- ✓ **County instituted pension reform 30 years ago that State and local governments are embracing today, including:**
 - ✓ **One of the most conservative retirement benefit plans in the State**
 - ✓ **Significant employee contributions**
- ✓ **In 2000, governmental agencies across the State began enhancing retirement benefits as a result of changes in retirement laws**
- ✓ **Los Angeles County Board of Supervisors held firm and resisted pension increases**
- ✓ **Pension fund is well funded and the County has always made timely payments to the fund**



Recognized Financial Stability

- ✓ **The County carries a minimal debt burden**
- ✓ **County's revenue to debt service ratio is low at 0.9% for 2012-13**
- ✓ **All three rating agencies assigned their highest short-term rating to the County for the 15th consecutive year in 2011-12**
- ✓ **Prop 13 provides a significant amount of stored value that will be realized on future tax rolls when parcels are sold – 15% of the County Assessment Roll is still 1975-base values**



State and Federal Budget Actions

State Budget

- ✓ **Governor's proposed budget impact to County-administered programs - \$12.1 million**
- ✓ **Public Safety Realignment allocations for 2012-13 expected in the Governor's May Revision Budget**
- ✓ **State budget changes not included in the County Recommended Budget**

Federal Budget

- ✓ **Federal budget changes not likely to impact the 2012-13 County budget**



Economic Outlook

- ✓ **Economic indicators point toward modest growth**
- ✓ **Increased hiring and a reduction in unemployment rate nationally, statewide and locally**
- ✓ **County sales tax now on pace to return to pre-recessionary levels**
- ✓ **Housing market may be stabilizing**
 - ✓ **Unsold inventory is down to a 5.7 month supply, compared to a 7.8 month supply a year ago**
 - ✓ **Unit sales are up by 12.7% from February 2011**



Efficiency Initiatives

Since 2009, through diligent efforts and innovative reengineering of existing processes, annual savings of \$255 million is now projected by the end of FY 2011-12 (initially estimated at \$200 million). The County's ability to avoid serious cutbacks and layoffs is in part due to these cost-saving efforts.

Notable projects in FY 2011-12 (with Annual and Ongoing Savings) include:

- ✓ **Countywide (\$100.3 million)** - Pharmaceutical Drug Savings (Health Services - \$84.8 million, Mental Health - \$9.0 million, Sheriff – 5.5 million, Public Health - \$1.0 million)

- ✓ **Health Services (\$14.1 million)**
 - Health Services' Improved Medi-Cal Claims Process - \$8.0 million
 - Increased Clinic Participation and Expanded Industry Sponsored Assistance to Reduce Indigent Client Medication Costs - \$6.1 million

- ✓ **Public Social Services (\$18.6 million)** - One-time General Relief to Supplemental Security Income Transition

- ✓ **Auditor-Controller (\$0.2 million)** - Electronic Paystub Program



Efficiency Initiatives

Other Notable projects in FY 2011-12 (with Annual and Ongoing Savings) include:

- ✓ **Internal Services (\$5.5 million)** - Systematic Monitoring and Termination of Unused Phone/Data Lines
- ✓ **Chief Information Office (\$10.8 million)** - Enterprise Software Licensing
- ✓ **Child Support (\$1.6 million)** - Process Improvement to Determine and Collect Unreimbursed Costs
- ✓ **Public Library (\$1.2 million)** - Self-Service Model Allowing Customers to Check Out Books, Pick Up Holds and Pay
- ✓ **Parks and Recreation (\$0.4 million)** - Smart Irrigation Systems and Waterless Urinals



Efficiency Initiatives

Planned Major Projects in FY 2012-13

✓ **Energy Efficiency Projects**

- \$2.2 million in energy efficiency projects
- Estimated annual savings of \$1.9 million from lighting retrofitting and other projects

✓ **Email Consolidation**

- Migrate 24,535 users to a centralized County system
- Ongoing annual savings of \$1.7 million for Health Services and other County users

✓ **Health Services Supply Chain Management**

- Establishment of additional enterprise-wide formularies and other purchasing items
- Identify/adjust appropriate inventory levels, improve data access to eliminate hoarding and overstocking
- Estimated annual savings of \$1.7 million

✓ **Other Information Technology Initiatives**

- Managed print services
- Enterprise licensing
- Server consolidation



Event	Date
Recommended Budget Released	April 16, 2012
Public Hearings	May 16, 2012
Budget Deliberations	June 25, 2012 until conclusion