



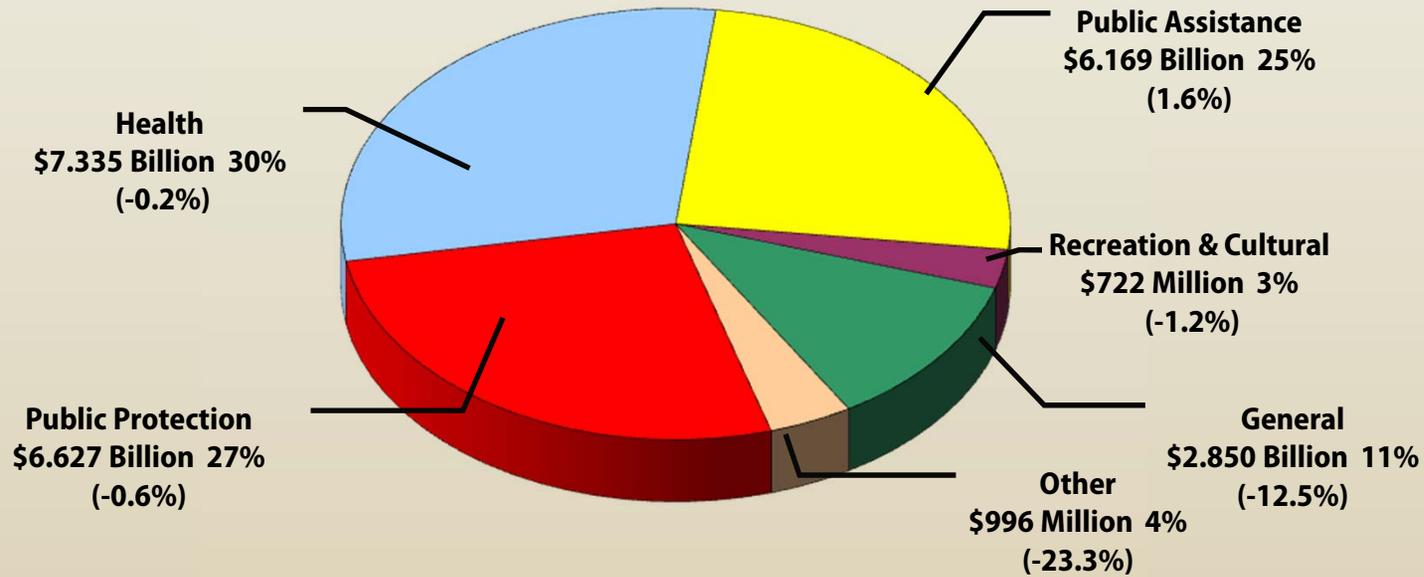
County of Los Angeles



Recommended Budget 2013-14

Submitted to the Board of Supervisors by
William T Fujioka, Chief Executive Officer
and
Wendy L. Watanabe, Auditor-Controller

2013-14 Recommended Budget \$24.699 Billion



Fund (in Billions)	FY 2012-13 Adopted Budget	FY 2013-14 Recommended Budget	Change From Prior Year	% Change From Prior Year
Total General County	\$19.343	\$19.217	(\$0.126)	-0.7%
Special Funds/Districts	6.035	5.482	(0.553)	-9.2%
Total Budget	\$25.378	\$24.699 *	(\$0.679)	-2.7%
Budgeted Positions	103,054	103,148	94	0.1%

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

Figures in parentheses on the pie chart denote percentage change from previous year.

Focus of the 2013-14 Recommended Budget

- ✓ Stabilizing the Budget**
- ✓ Maintaining Reserves**
- ✓ Addressing Structural Deficits in Departments**
- ✓ Providing Strong Foundations as We Move Forward**

Budget Outlook

The current economic outlook for the nation and California indicate moderate growth for the remainder of 2013 and continuing into 2014. This positive economic growth has been driven by improvements in the housing market and the continued downward trend in unemployment. The housing market recovery began in early 2012, aided by historically low-interest rates and a decline in foreclosure activity. The turnaround in the housing market gained momentum towards the end of 2012 into 2013 and is expected to continue. Improvements in the housing market and the continued downward trend in unemployment have strengthened consumer confidence and increased consumer spending. As a result, we have experienced positive gains in retail sales and sales tax revenues led by increased sales of autos, gasoline, and construction materials.

The labor market is slowly improving as businesses begin to rebound, contributing to a decline in unemployment rates; however, unemployment rates in Los Angeles County remain at historically high levels.

<u>Month</u>	<u>Unemployment Rate</u>
January 2012	11.6%
November 2012	10.4%
December 2012	10.3%
January 2013	10.4%

The economic outlook, although positive, continues to face challenges and uncertainties. The impact of health care reform, sequestration, and the federal government's long-term fiscal imbalance remain to be seen. In addition, low housing inventory and tighter lending standards can potentially hinder the housing recovery. Nevertheless, economic recovery continues but the critical factor is its sustainability. We will continue to monitor economic indicators, as we move forward, throughout the budget process.

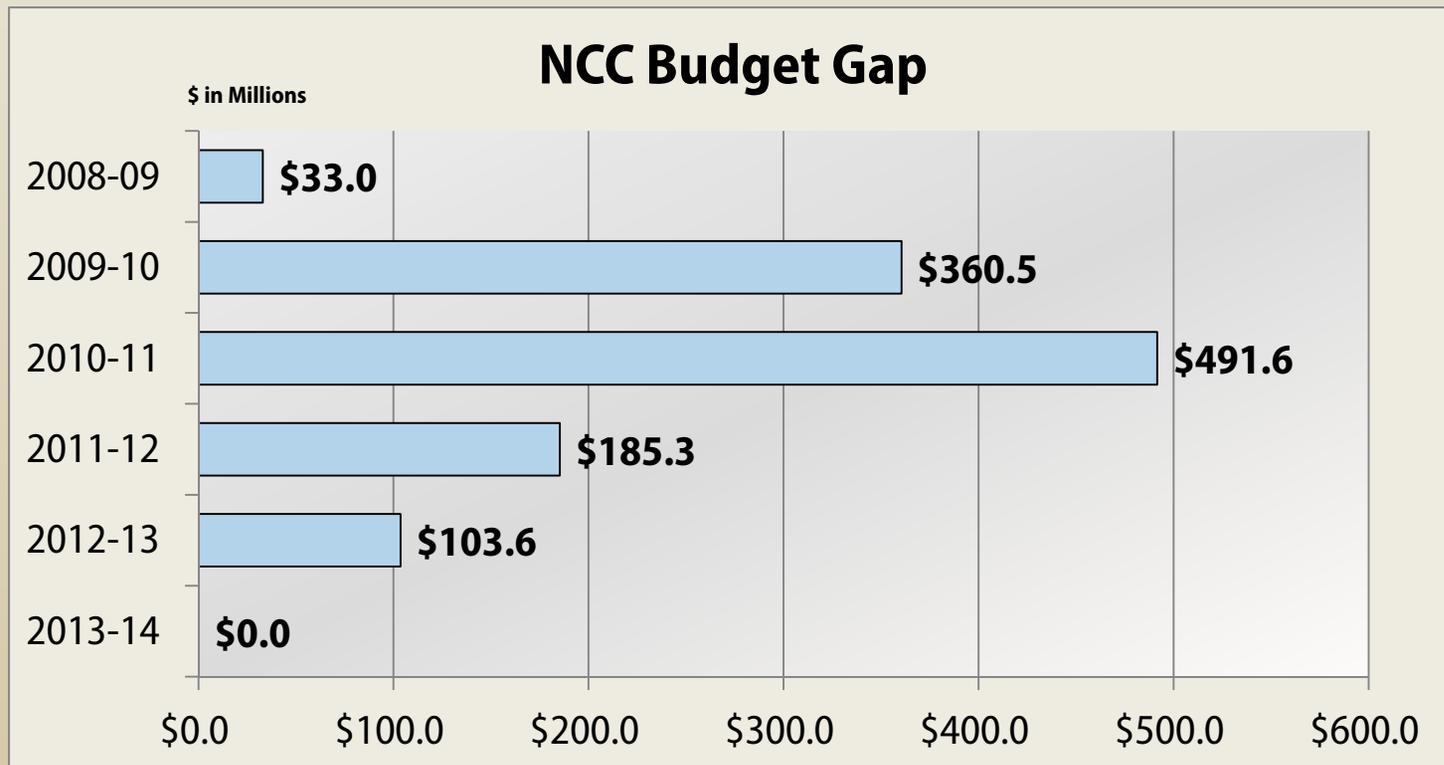
Budget Overview

For the first time in four years, the net County cost (NCC) portion of the County's budget is financed entirely with ongoing revenue sources. As a result of the recent recession, the County experienced a "cyclical" budget deficit. This occurred when the economy went into recession and County revenues declined, while spending on safety net programs and unavoidable costs increased. In order to address these problems, we made several adjustments to the County's budget including departmental curtailments, the use of one-time funding sources, the elimination of over 2,000 vacant budgeted positions, and various countywide efficiency initiatives.

For the first time in four years, the County does not have to rely on reserves or other one-time funding solutions to balance the budget. The chart below illustrates the progress that has been made in reducing our budget gap during the economic crisis.

NCC Budget Gap History

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



Primary Drivers of Budget Changes

No NCC* Budget Gap

- ✓ Solved 2012-13 One-Time Budget Gap – (\$103.6) million
- ✓ Unavoidable Cost Increases – (\$92.4) million
- ✓ Program Changes – (\$56.5) million
- ✓ Revenue Increases – \$218.1 million
- ✓ Use of Ongoing Funding for One-Time Needs in 2012-13 – \$34.4 million

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

2013-14 Recommended Budget

Over the last five years 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, we have achieved:

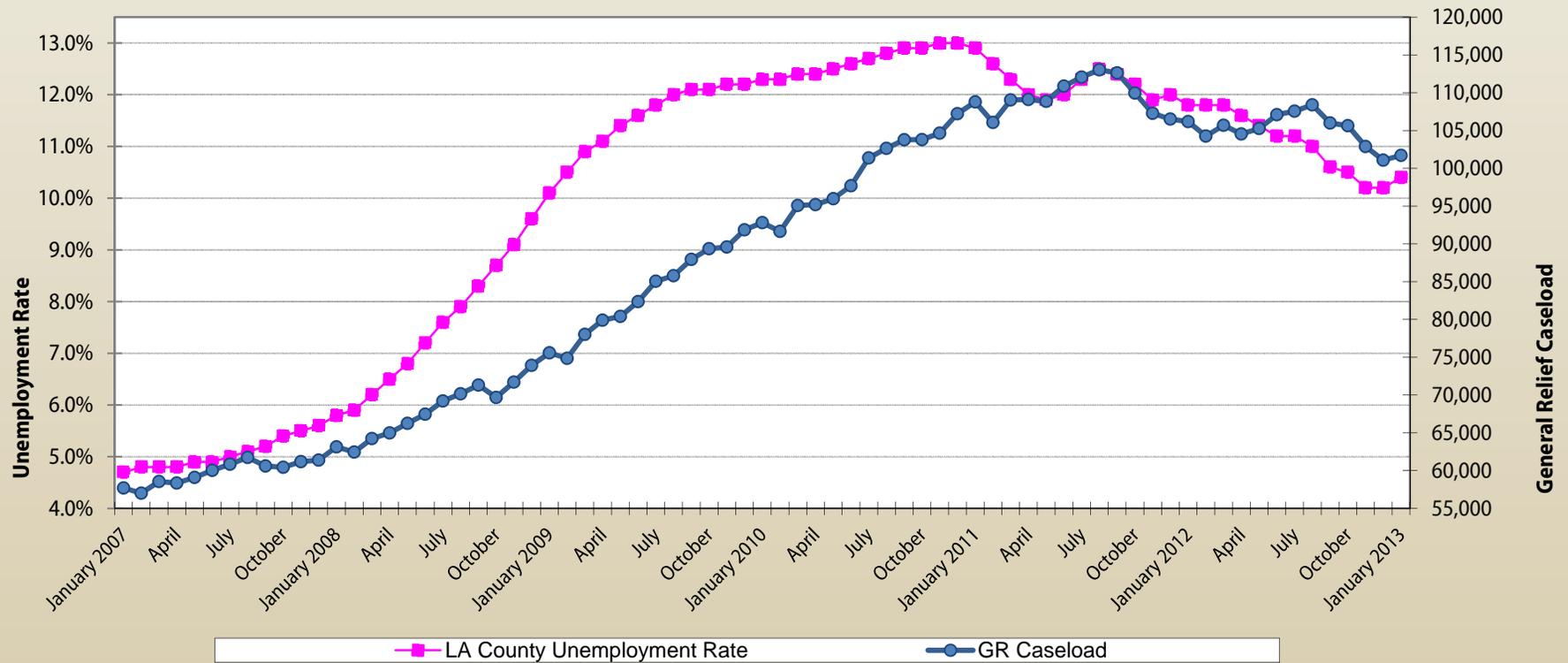
- ✓ No Major Service Reductions (*Maintained All Critical Services*)
- ✓ No Layoffs
- ✓ No Furloughs
- ✓ County Employees Accepted \$0 Cost of Living Adjustments
- ✓ Preserved the County's Primary Reserves

Recommended Budget Overview

Public Assistance Program		FY 2012-13 Adopted Budget	FY 2013-14 Recommended Budget	Change from FY 2012-13 Adopted Budget	% Change from FY 2012-13 Adopted Budget
General Relief	Caseload (monthly)	101,518	102,117	599	0.6%
	NCC	\$243,771,000	\$249,818,000	\$6,047,000	2.5%
In-Home Supportive Services	Caseload (monthly)	183,540	189,271	5,731	3.1%
	NCC	\$325,903,000	\$305,346,000	(\$20,557,000)	-6.3%

IHSS: Beginning FY 2012-13, the County share of IHSS expenditures is based on a Maintenance of Effort (MOE). The FY 2012-13 Adopted Budget does not reflect the MOE and is based on the traditional County sharing ratio (17.5%).

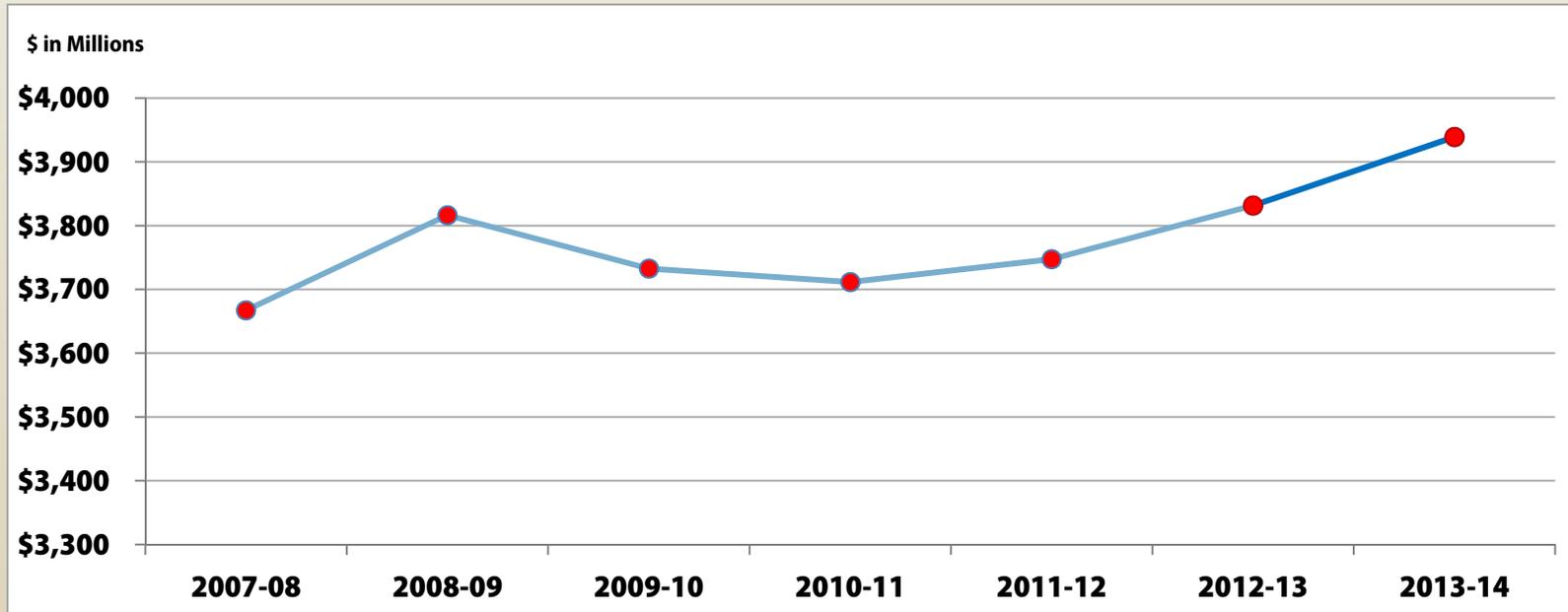
COMPARISON: Los Angeles County Unemployment Rate and General Relief (GR) Caseload (Jan 2007 – Jan 2013)



Fiscal Year	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Estimate	2013-14 Projection	% Change from 2012-13
GR Caseload (monthly)	74,763	91,499	106,348	107,877	102,117	102,117	0%

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

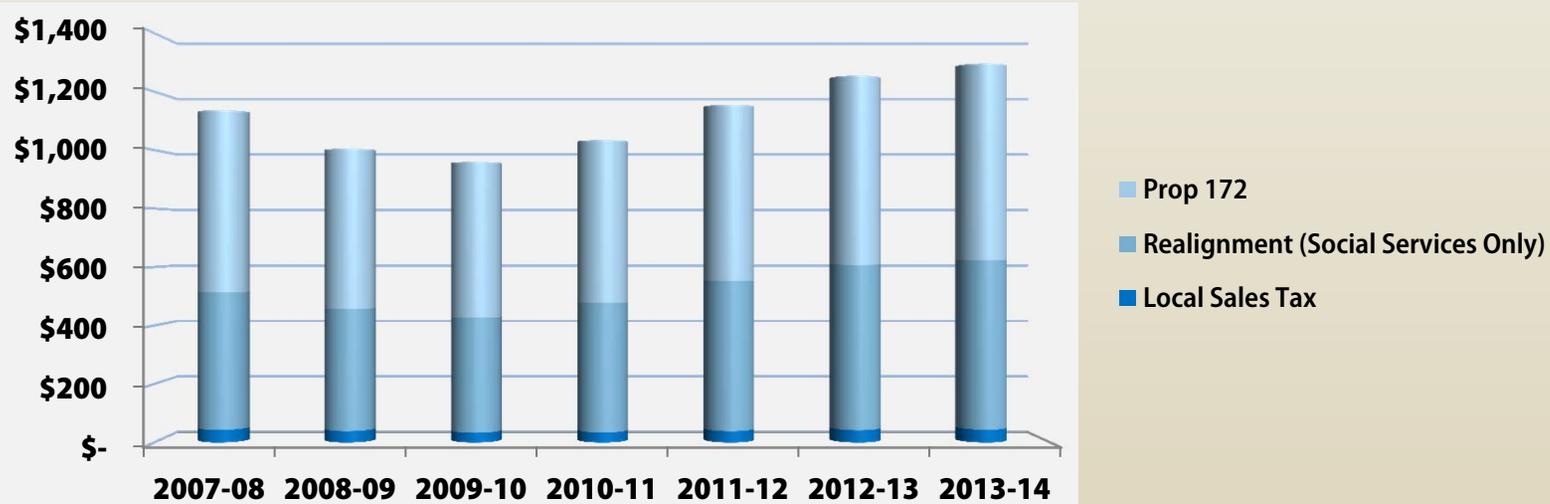
Property Taxes Projection



	Actual 2007-08	Actual 2008-09	Actual 2009-10	Actual 2010-11	Actual 2011-12	Estimate 2012-13	Recommended Budget 2013-14
Property Taxes							
Property Taxes (Millions)	\$ 3,667.1	\$ 3,816.3	\$ 3,732.5	\$ 3,711.4	\$ 3,747.5	\$ 3,828.7	\$ 3,939.1
Change from previous year		\$ 149.2	\$ (83.8)	\$ (21.1)	\$ 36.1	\$ 81.2	\$ 110.4
% Change from previous year		4.07%	-2.20%	-0.57%	0.97%	2.17%	2.88%

Sales Tax Projection

\$ in Millions



Sales Tax (Millions)	Actual	Actual	Actual	Actual	Actual	Estimate	Recommended
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Budget 2013-14
Local Sales Tax	\$ 43.0	\$ 38.9	\$ 33.3	\$ 34.2	\$ 38.8	\$ 42.0	\$ 43.7
Realignment Sales Tax (Social Services Only) *	469.9	417.5	392.9	442.9	512.4	555.3	578.8
Prop 172 Sales Tax	620.5	548.7	531.7	554.1	607.0	646.9	672.8
Total	\$ 1,133.4	\$ 1,005.1	\$ 957.9	\$ 1,031.2	\$ 1,158.2	\$ 1,244.2	\$ 1,295.3
Change from previous year		\$ (128.3)	\$ (47.2)	\$ 73.3	\$ 127.0	\$ 86.0	\$ 51.1
% Change from previous year		-11.3%	-4.7%	7.7%	12.3%	7.4%	4.1%

* All growth goes to Social Services first until caseload needs are satisfied.

Recognized Financial Stability

- ✓ **Standard & Poor's upgraded the County's long-term credit rating**
- ✓ **All three rating agencies assigned their highest short-term rating to the County for the 16th consecutive year in 2012-13**
- ✓ **The County carries a minimal debt burden**
- ✓ **County's revenue to debt service ratio is low at 0.9% for 2013-14**
- ✓ **Prop 13 provides a significant amount of stored value that will be realized on future tax rolls when parcels are sold**

State and Federal Budget Actions

State Budget

- ✓ Governor's proposed budget contains no significant impact to County-administered programs
- ✓ Public Safety Realignment allocations for 2013-14 expected in the Governor's May Revision Budget
- ✓ Pursue aggressive legislative strategy to address negative impacts to the State's implementation of the Affordable Care Act
- ✓ State budget changes not included in the Recommended Budget

Federal Budget

- ✓ Federal budget remains uncertain. Our primary concern is the impact of the Affordable Care Act

Economic Outlook

- ✓ **Economic indicators point toward moderate growth**
- ✓ **Los Angeles County unemployment down by 1.2% from January 2012, but still remains high at 10.4%**
- ✓ **County sales tax has returned to pre-recessionary levels**
- ✓ **Housing market has stabilized and is now in recovery**

Efficiency Initiatives

Since 2009, through diligent efforts and innovative reengineering of existing processes, the County has achieved annual savings of over \$250 million. The County's ability to avoid serious cutbacks and layoffs is in part due to these cost-saving efforts.

Notable projects include:

✓ **Health Services (\$114.4 million)**

- Pharmaceutical Drug Savings - \$100.3 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

Notable projects continued:

- ✓ **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

Other Notable Projects:

✓ Energy Efficiency Projects

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

✓ Email Consolidation

- Migrated 24,535 users to a centralized County system
- Savings of \$1.7 million for Health Services and other County users

✓ Health Services Supply Chain Management

- Established additional enterprise-wide formularies and other purchasing items
- Identified/adjusted appropriate inventory levels, improved data access to eliminate hoarding and overstocking

✓ Other Information Technology Initiatives

- Managed print services
- Server consolidation

Efficiency Initiatives

Planned Major Projects in FY 2013-14

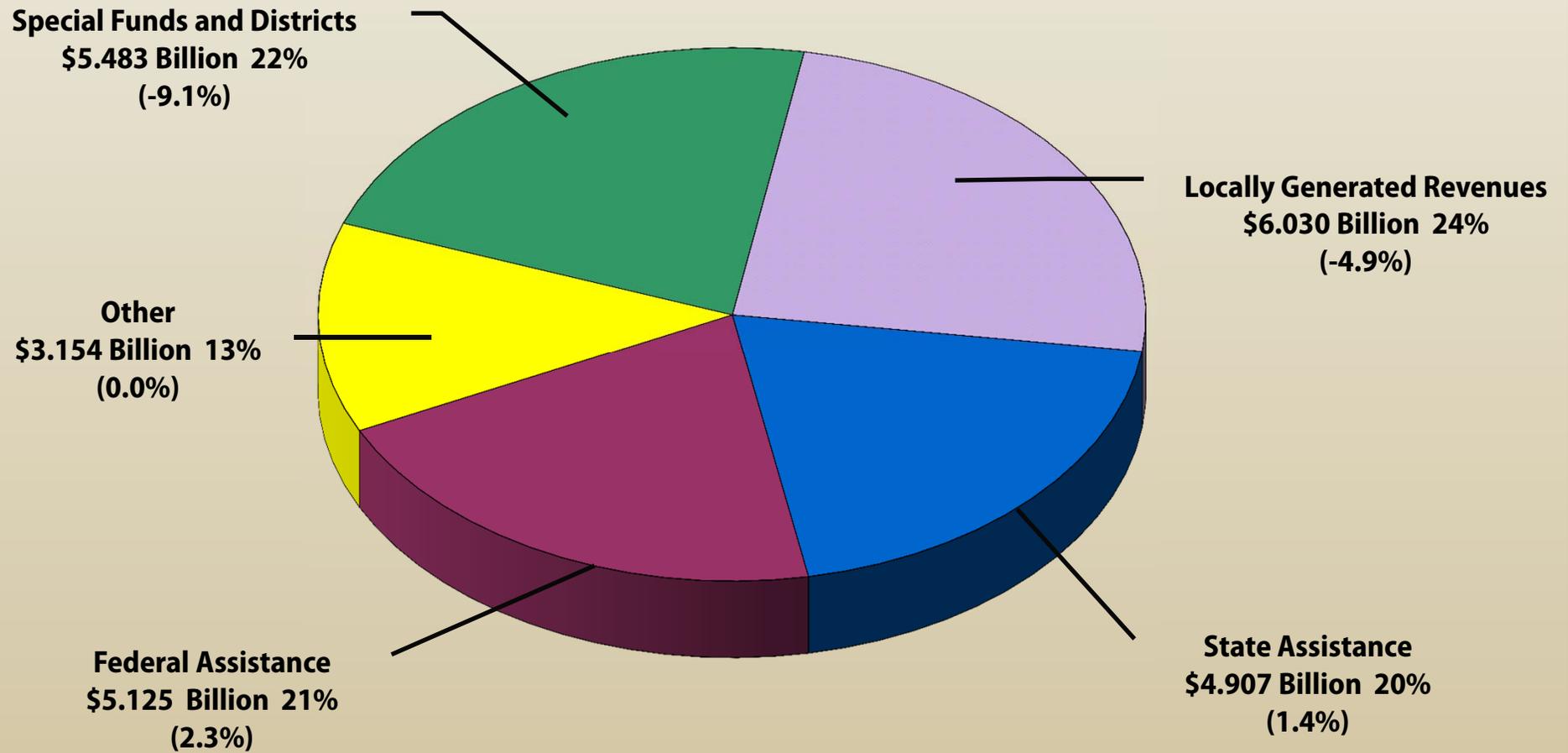
✓ Refinancing of Bonds

- Refinancing of bonds issued by former Redevelopment Agencies, saving \$100 million in ongoing funding over 20 years for the County, schools and local cities

✓ Fuel Management System

- Establishment of an automated fuel management system to allow for the efficient and accurate tracking of fuel usage

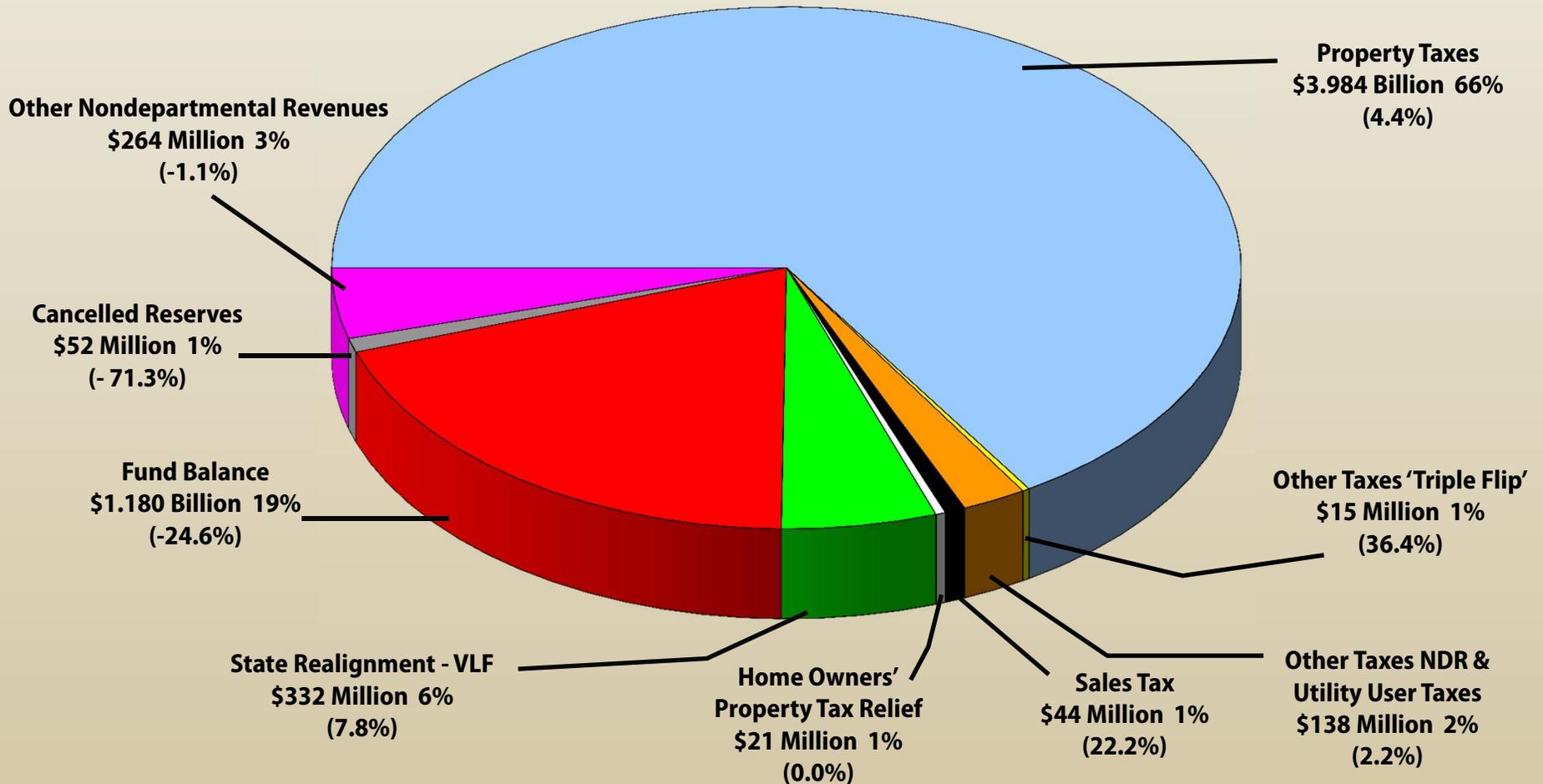
Total Revenue \$24.699 Billion (- 2.7%)



Figures in parentheses on the pie chart denote percentage change from previous year.

Locally Generated Revenues

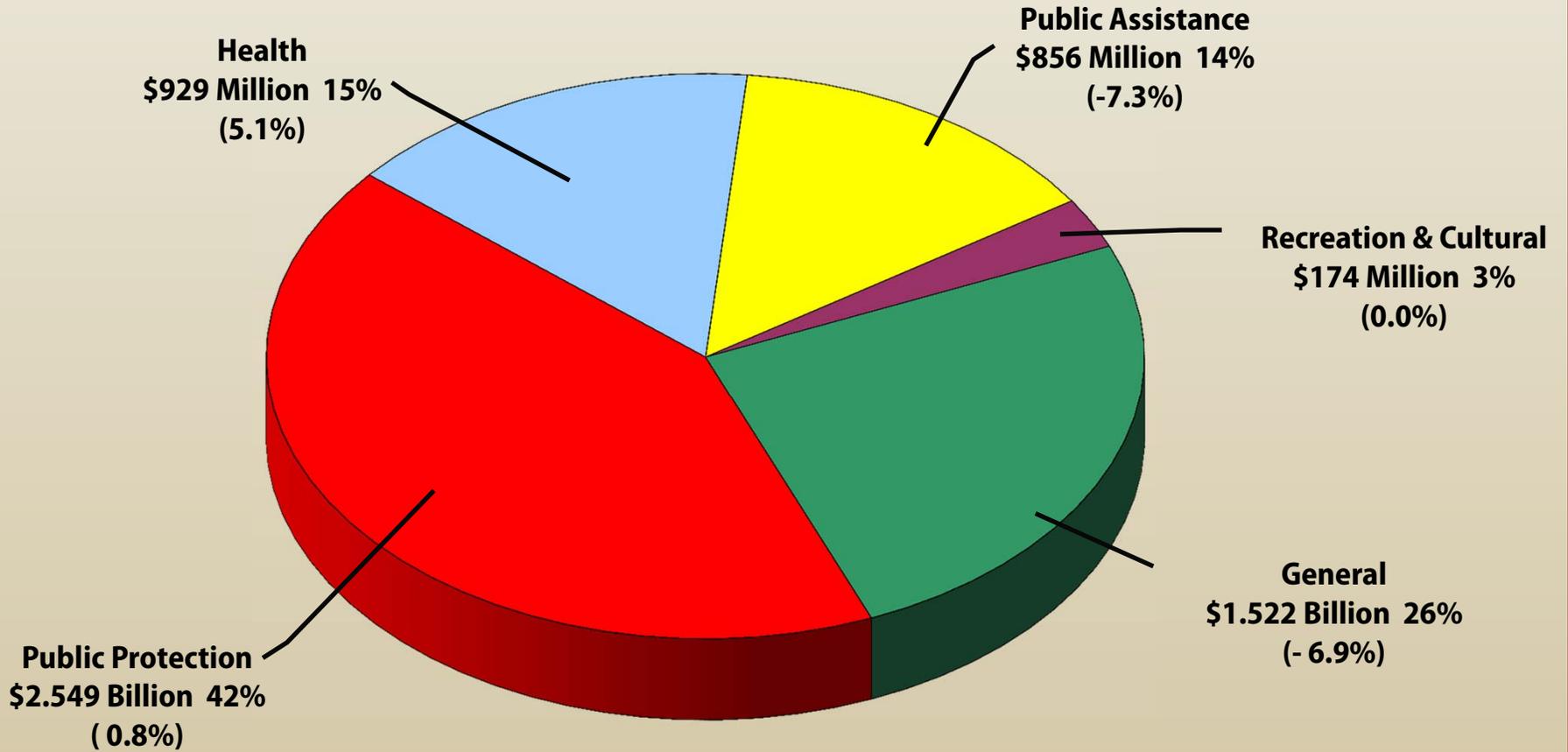
\$6.030 Billion (- 4.9%)



Figures in parentheses on the pie chart denote percentage change from previous year.

Net County Cost By Function

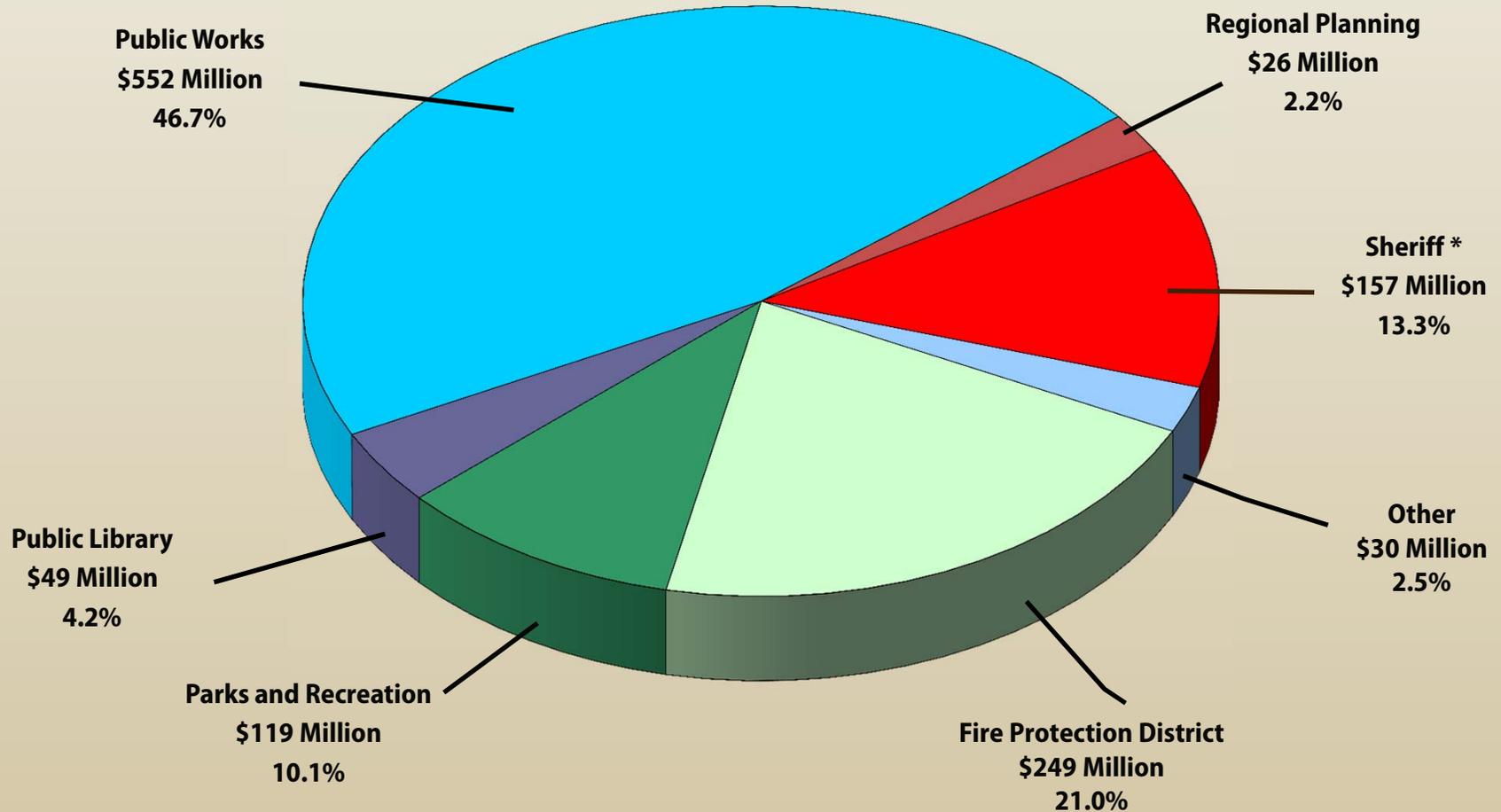
\$6.030 Billion (- 4.9%)



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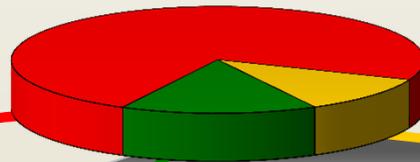
Unincorporated Area Services Program Summary

Gross Appropriation: \$1.182 Billion



*Includes direct patrol costs based on FY 2012-13 rates, excluding countywide and departmental overhead costs and specialized countywide services costs such as Aero Bureau, Special Enforcement Bureau, etc. This is a departure from previously reported figures, which included these costs.

**Mandated vs. Discretionary Cost
2013-14 Recommended Budget
\$24.699 Billion***



NCC \$6.030 Billion (24.4%)

**Program Specific Revenue/Fixed Costs
\$18.669 Billion (75.6%)**

(\$ in Millions)	
Health/Social Services	\$9,991.2
Property Tax Administration	72.1
Prop 172 Public Safety Augmentation Fund	672.8
Sheriff	569.9
District Attorney	102.9
Special Funds/Districts	5,482.4
Revenues That Offset Costs	2,308.3
Trial Court Funding	142.0

Flexible Costs
\$3.493 Billion (14.1%)**

Public Protection - \$1.216 Billion (4.9%) (\$ in Millions)	
Community-Based Contracts	\$2.7
Coroner	31.1
District Attorney – Criminal	110.6
Emergency Preparedness	4.7
Fire – Lifeguards	26.9
LARICS	13.2
Probation - Camps/Support	225.0
Sheriff	802.2

All Other Costs - \$2.277 Billion (9.2%) (\$ in Millions)	
Agric. Comm./Weights & Measures	\$10.2
Animal Care and Control	21.2
Capital Projects	514.6
Consumer Affairs	5.8
Countywide Services	124.7
Extraordinary Maintenance	106.0
General Government	521.6
Health-Drug Court	1.8
Health-GF Contribution	273.8
Health-Tobacco	111.8
Health/Mental Health-Others	64.7
Homeless Services	60.8
Other Public Services	118.2
Parks and Recreation	112.0
Project & Facility Development	61.3
Provisional Financing Uses	129.4
Recreation and Cultural	19.1
Regional Planning	19.8

**Non-Flexible Costs
\$2.537 Billion (10.3%)**

MOE & Mandatory Costs - \$2.471 Billion (10.0%) (\$ in Millions)	
Alternate Public Defender	\$55.5
District Attorney – Criminal	69.7
Health/Mental Health	506.7
Court Related (Indigent Defense \$59.9)	290.9
Probation – Other	274.6
Public Defender	175.9
Social Services	653.9
Sheriff	444.0

Other Non-Flexible Costs - \$65.8 Million (0.3%) (\$ in Millions)	
Grand Jury	\$1.8
Judgments & Damages/Insurance	19.7
Museums Obligation	44.3

*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

Budget Calendar

Event	Date
Recommended Budget	April 16, 2013
Public Hearings	May 15, 2013
Budget Deliberations	June 24, 2013 until conclusion