



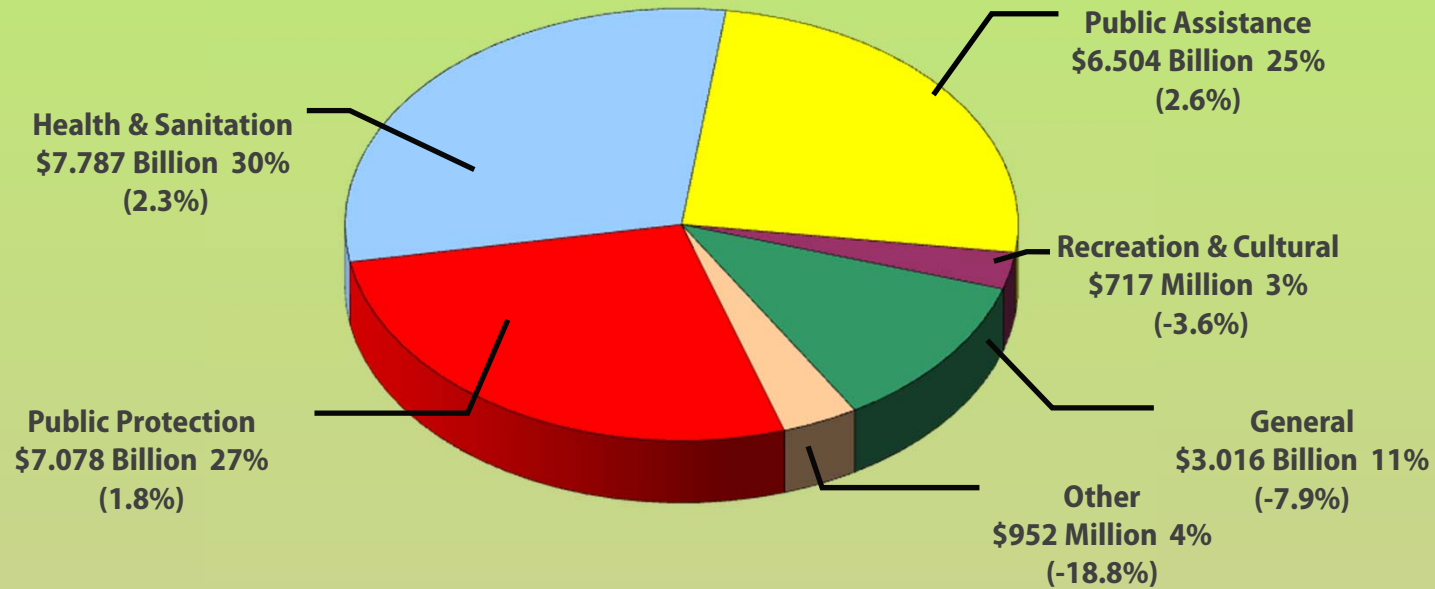
County of Los Angeles



Recommended Budget 2014-15

Submitted to the Board of Supervisors by
William T Fujioka, Chief Executive Officer
and
John Naimo, Acting Auditor-Controller

2014-15 Recommended Budget \$26.054 Billion



Fund (in Billions)	FY 2013-14 Adopted Budget	FY 2014-15 Recommended Budget	Change From Prior Year	% Change From Prior Year
Total General County	\$20.009	\$20.271	\$0.262	1.3%
Special Funds/Districts	6.090	5.783	(0.307)	-5.0%
Total Budget	\$26.099	\$26.054 *	(\$0.045)	-0.2%
Budgeted Positions	103,678	105,023	1,345	1.3%

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

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

Focus of the 2014-15 Recommended Budget

- ✓ **Stabilizing Programs and Services**
- ✓ **Maintaining Reserves**
- ✓ **Addressing Structural Deficits in Departments**
- ✓ **Providing a Strong Foundation as We Move Forward**

Budget Outlook

The current economic outlook for the nation and California shows positive growth for the remainder of 2014, gaining strength in 2015. Positive economic growth gained momentum towards the end of 2013 with strong gains in the stock market and continued improvement in housing, marked by increases in home prices. The labor market is also improving led by employment gains in the construction industry. As a result, the unemployment rate has continued a downward trend. In January, the unemployment rate fell to 9 percent compared to 11.8 percent for the same month last year.

<u>Month</u>	<u>Unemployment Rate</u>
January 2013	11.8%
November 2013	9.4%
December 2013	8.8%
January 2014	9.0%

The economic outlook, although positive, continues to face challenges and uncertainties. Low housing inventory and tighter lending standards remain a challenge to the housing recovery. In addition, tapering of the federal bond buying program has resulted in an increase in interest rates which can potentially hinder economic growth and place another burden on consumers. Nevertheless, the economic recovery of the last year is encouraging and we will continue to monitor economic indicators as we move forward throughout the budget process.

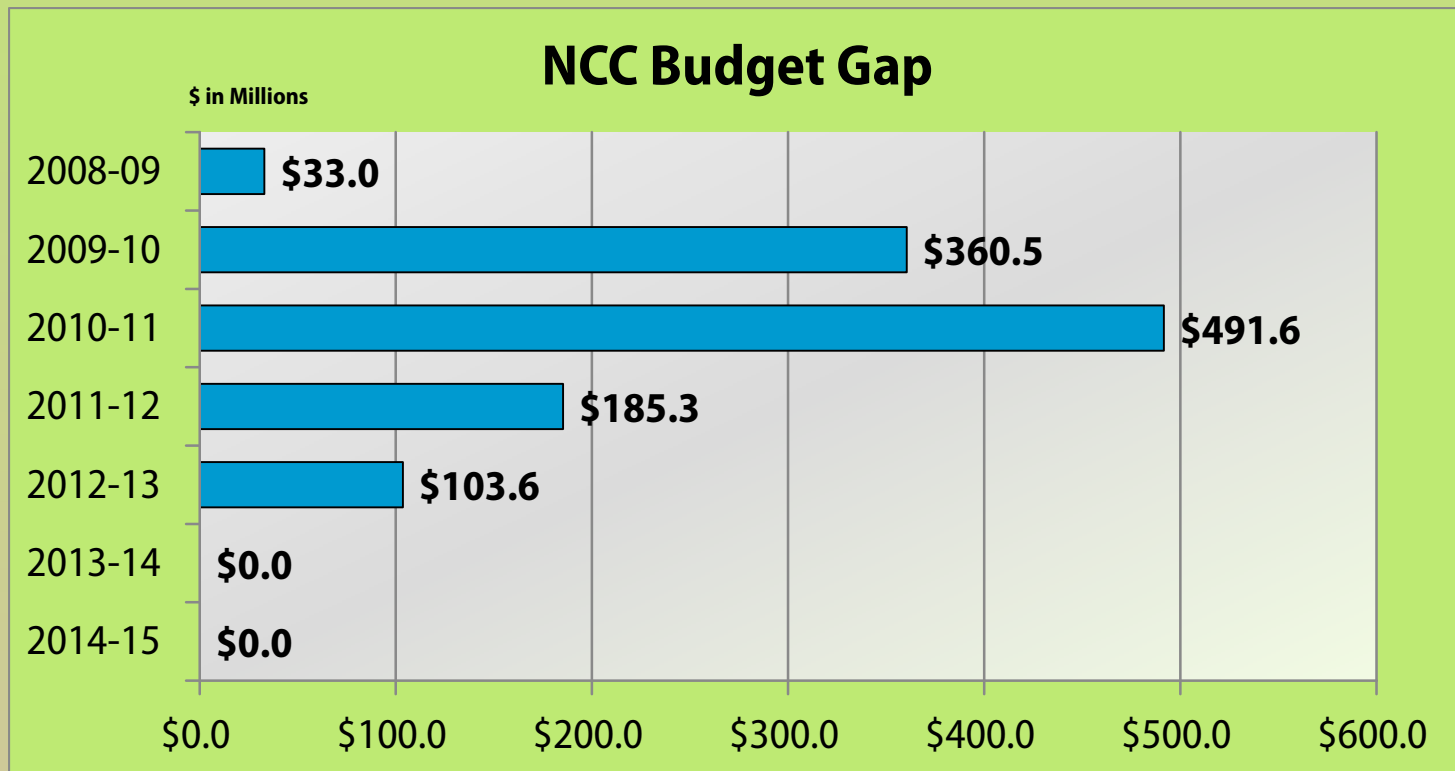
Budget Overview

Since Fiscal Year (FY) 2008-09, as a result of the past recession, the County has faced significant budget challenges that have strained locally generated revenues, which we use to finance the net County cost (NCC) portion of our budget. These challenges were managed without major service reductions, layoffs, or furloughs. This achievement was made possible through the leadership of the Board, County managers, and the hard work of all County employees. The Board's long-standing conservative budget practices, and our strong compliance to fiscal policies, enabled us to weather these trying economic times.

As we proceed to the first stage of our annual budget process, we find that the slow pace of the economic recovery, coupled with unavoidable cost increases and the need to fund critical programs, will challenge our budget. It is important to note that although the economy is showing signs of recovery, our principle concern is whether this recovery is sustainable. Accordingly, the focus of this year's budget is stabilization and prudent growth.

NCC Budget Gap History

The County has emerged from a challenging economic period and has eliminated the Budget Gap



Primary Drivers of Budget Changes

No NCC* Budget Gap	
Unavoidable Cost Increases	\$217.3 million
Program Changes	\$92.6 million
Total Cost Increases	\$309.9 million

Revenue and Fund Balance Increases **\$309.9 million**

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

How We Got Here and Moving Forward

Looking Back

Managed deficits through a strategic multi-year approach using:

- ✓ Structural Changes/Curtailments
- ✓ Freezes
- ✓ Efficiency Initiatives

Moving Forward

Stabilizing and building a strong foundation through:

- ✓ Strategic/Smart Measured Growth
- ✓ Selective Restoration
- ✓ Structural Changes
- ✓ Focus on IT Enhancements/Efficiencies

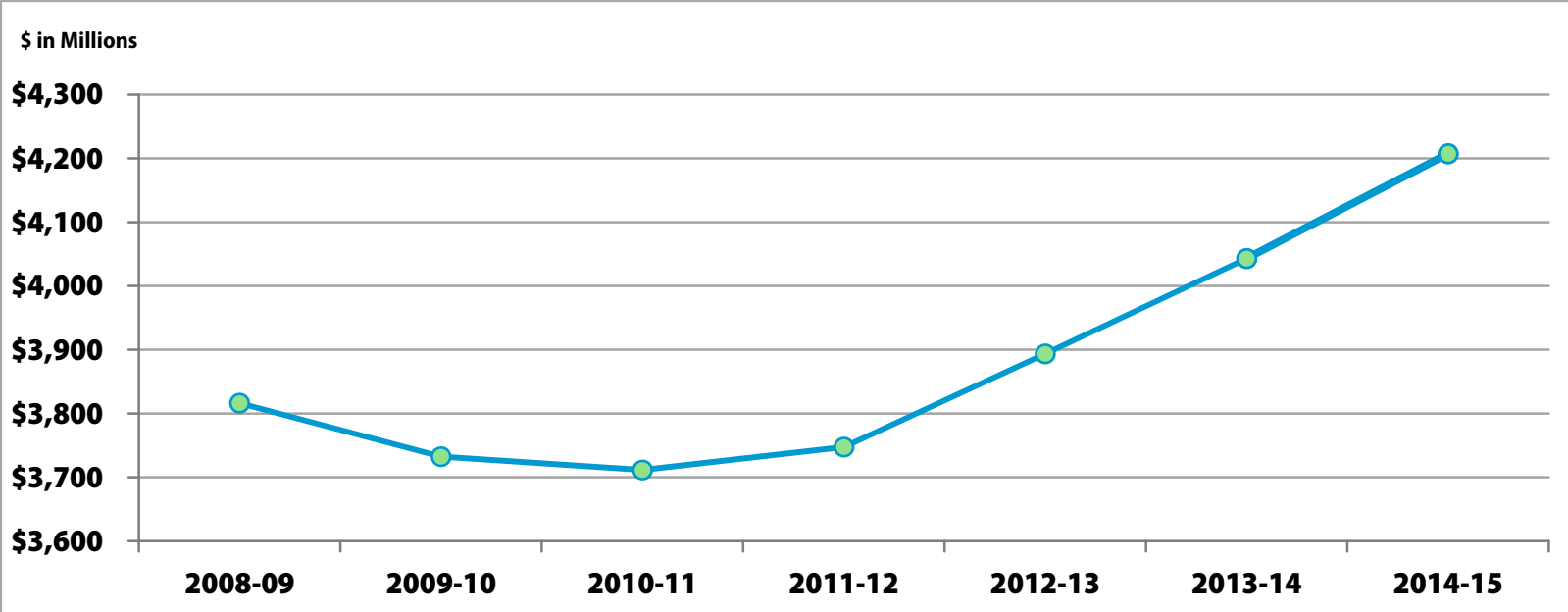
Economic Outlook

- ✓ **Economic indicators point toward positive growth**
- ✓ **Los Angeles County unemployment down by 2.8% from January 2013, and continues downward trend**
- ✓ **County sales tax has exceeded pre-recessionary levels**
- ✓ **Housing market is now in recovery as home values continue to increase**

Recommended Budget Overview

Public Assistance Program		FY 2013-14 Adopted Budget	FY 2014-15 Recommended Budget	Change from FY 2013-14 Adopted Budget	% Change from FY 2013-14 Adopted Budget
General Relief	Caseload (monthly)	103,115	102,117	(998)	-1.0%
	County Cost	\$249,818,000	\$249,818,000	--	--
In-Home Supportive Services	Caseload (monthly)	183,540	189,271	5,731	3.1%
	County Cost	\$307,487,000	\$316,033,000	\$8,546,000	2.7%

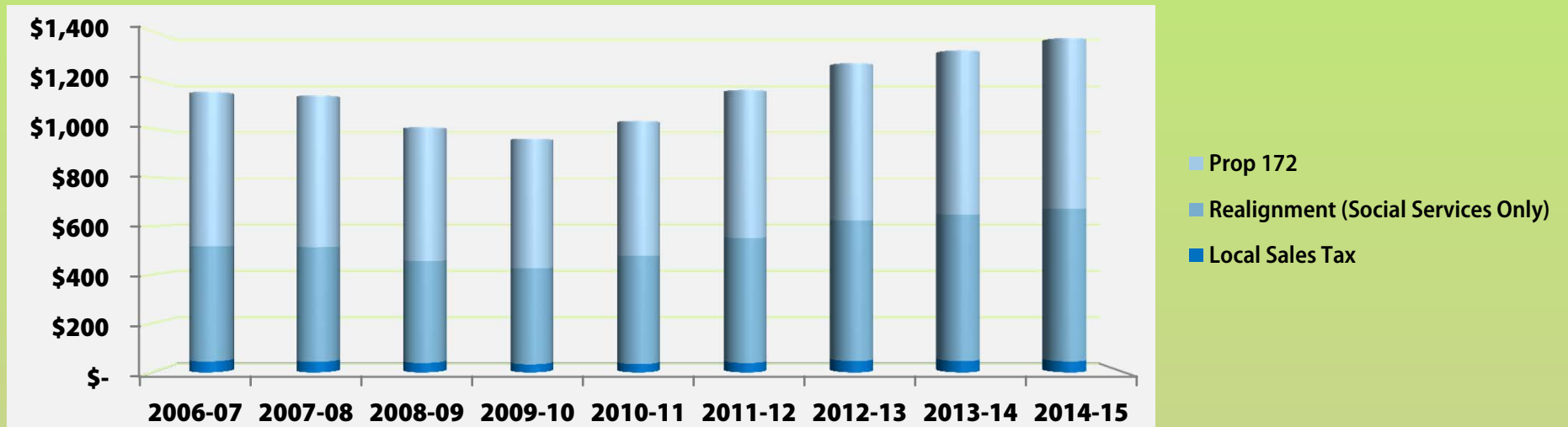
Property Taxes Projection



	Actual 2008-09	Actual 2009-10	Actual 2010-11	Actual 2011-12	Actual 2012-13	Estimate 2013-14	Recommended Budget 2014-15
Base Property Taxes							
Property Taxes (Millions)	\$ 3,816.3	\$ 3,732.5	\$ 3,711.4	\$ 3,747.5	\$ 3,893.6	\$ 4,043.0	\$ 4,207.3
Change from previous year	\$ 149.2	\$ (83.8)	\$ (21.1)	\$ 36.1	\$ 146.1	\$ 149.4	\$ 164.3
% Change from previous year	4.07%	-2.20%	-0.57%	0.97%	3.90%	3.84%	4.06%

Sales Tax Projection

\$ in Millions



Sales Tax (Millions)	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Recommended
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Budget
Local Sales Tax	\$ 44.8	\$ 43.0	\$ 38.9	\$ 33.3	\$ 34.2	\$ 38.8	\$ 46.7	\$ 46.5	\$ 45.0	
Realignment Sales Tax (Social Services Only) *	471.3	469.9	417.5	392.9	442.9	512.4	577.0	601.4	626.9	
Prop 172 Sales Tax	634.2	620.5	548.7	531.7	554.1	607.0	644.7	672.8	699.7	
Total	\$ 1,150.3	\$ 1,133.4	\$ 1,005.1	\$ 957.9	\$ 1,031.2	\$ 1,158.2	\$ 1,268.4	\$ 1,320.7	\$ 1,371.6	
Change from previous year		\$ (16.9)	\$ (128.3)	\$ (47.2)	\$ 73.3	\$ 127.0	\$ 110.2	\$ 52.3	\$ 50.9	
% Change from previous year		-1.5%	-11.3%	-4.7%	7.7%	12.3%	9.5%	4.1%	3.9%	

* 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 twice in the last 18 months from AA- to AA in October 2012 and then to AA+ in December 2013**
- ✓ **All three rating agencies assigned their highest short-term rating to the County for the 17th consecutive year in 2013-14**
- ✓ **Standard and Poor's calculation of the County's debt ratio as a percentage of expenditures is low at 1.8% compared to Standard & Poor's median county ratio of 6%**
- ✓ **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

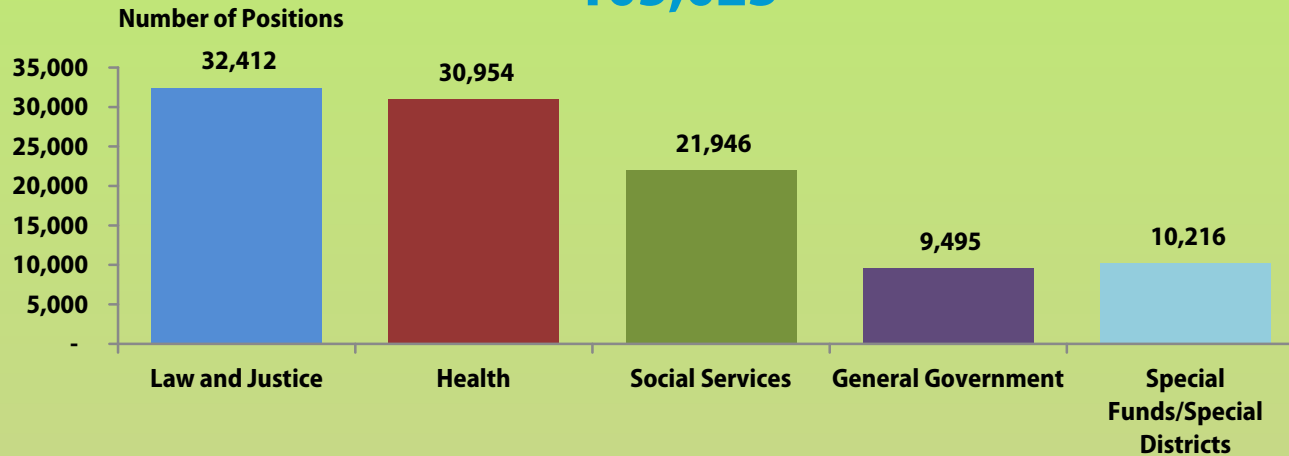
- ✓ The Governor's proposed budget contains no significant impact to County administered programs. State budget changes will be addressed in subsequent budget phases
- ✓ Advocating for additional resources for Public Safety Realignment and unfunded mandates continues to be a County priority

Federal Budget

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

2014-15 Recommended Budgeted Positions

105,023



Law and Justice	
Agricultural Commissioner	395
Alternate Public Defender	293
Animal Care and Control	384
Child Support Services	1,582
Consumer Affairs	67
District Attorney	2,145
Grand Jury	5
Medical Examiner - Coroner	222
Probation - Summary	6,644
Public Defender	1,132
Regional Planning	188
Sheriff - Summary	19,305
Trial Court Operations	50
Total	32,412

Health	
Health Services	21,656
Mental Health	4,732
Public Health - Summary	4,566
Total	30,954

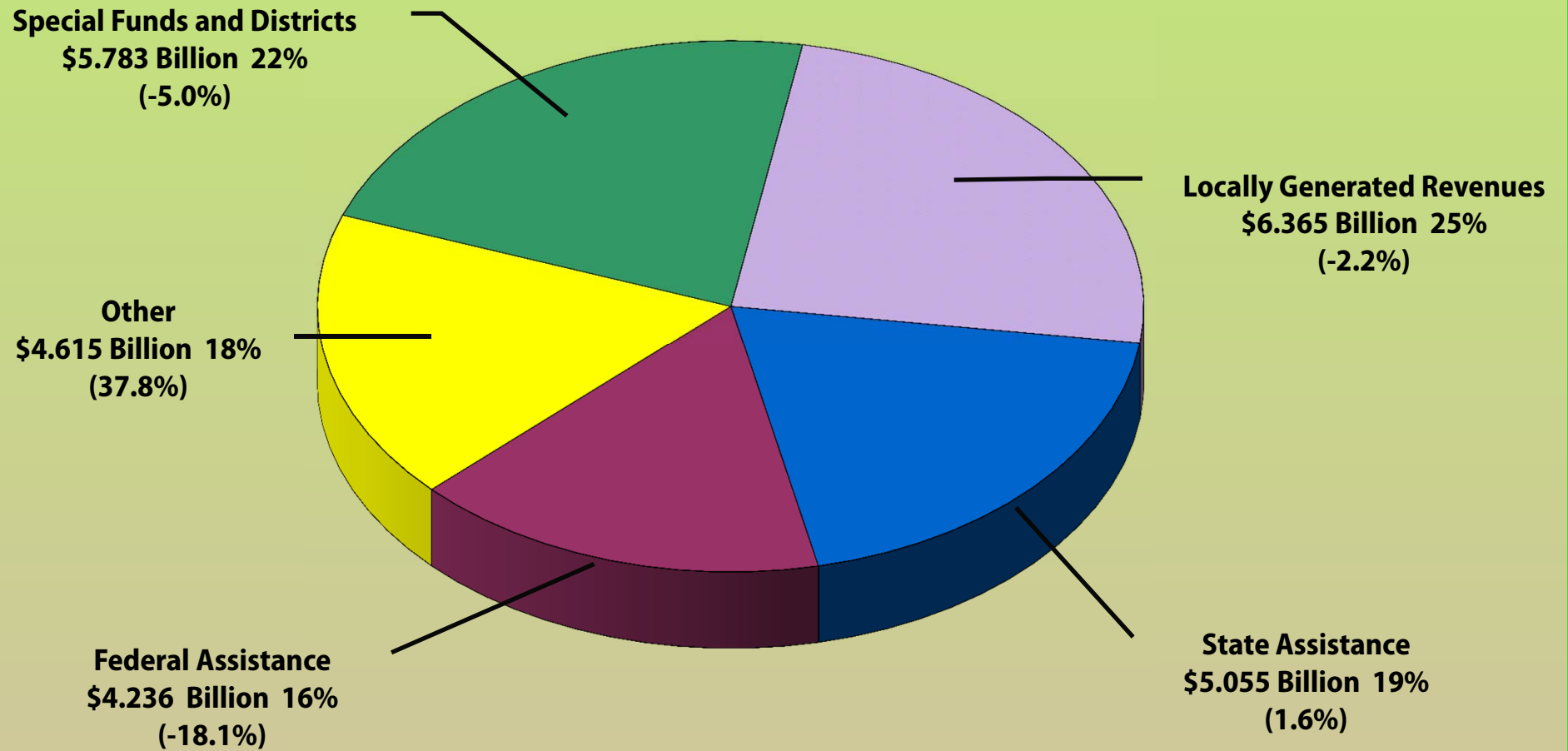
Social Services	
Children and Family Services	7,721
Community and Senior Svcs	521
Military and Veterans Affairs	33
Public Social Services	13,671
Total	21,946

General Government	
Assessor	1,432
Auditor-Controller	610
Beaches and Harbors	286
Board of Supervisors	368
Chief Executive Officer	535
Chief Information Officer	26
County Counsel	570
Human Resources	367
Internal Services	2,155
Museum of Art	38
Museum of Natural History	16
Parks and Recreation	1,488
Registrar-Recorder/CC	1,078
Treasurer and Tax Collector	526
Total	9,495

Special Funds/Special Districts	
Fire Department	4,597
Public Library	1,363
Public Works Internal Svcs Fund	4,256
Total	10,216

Total Revenue

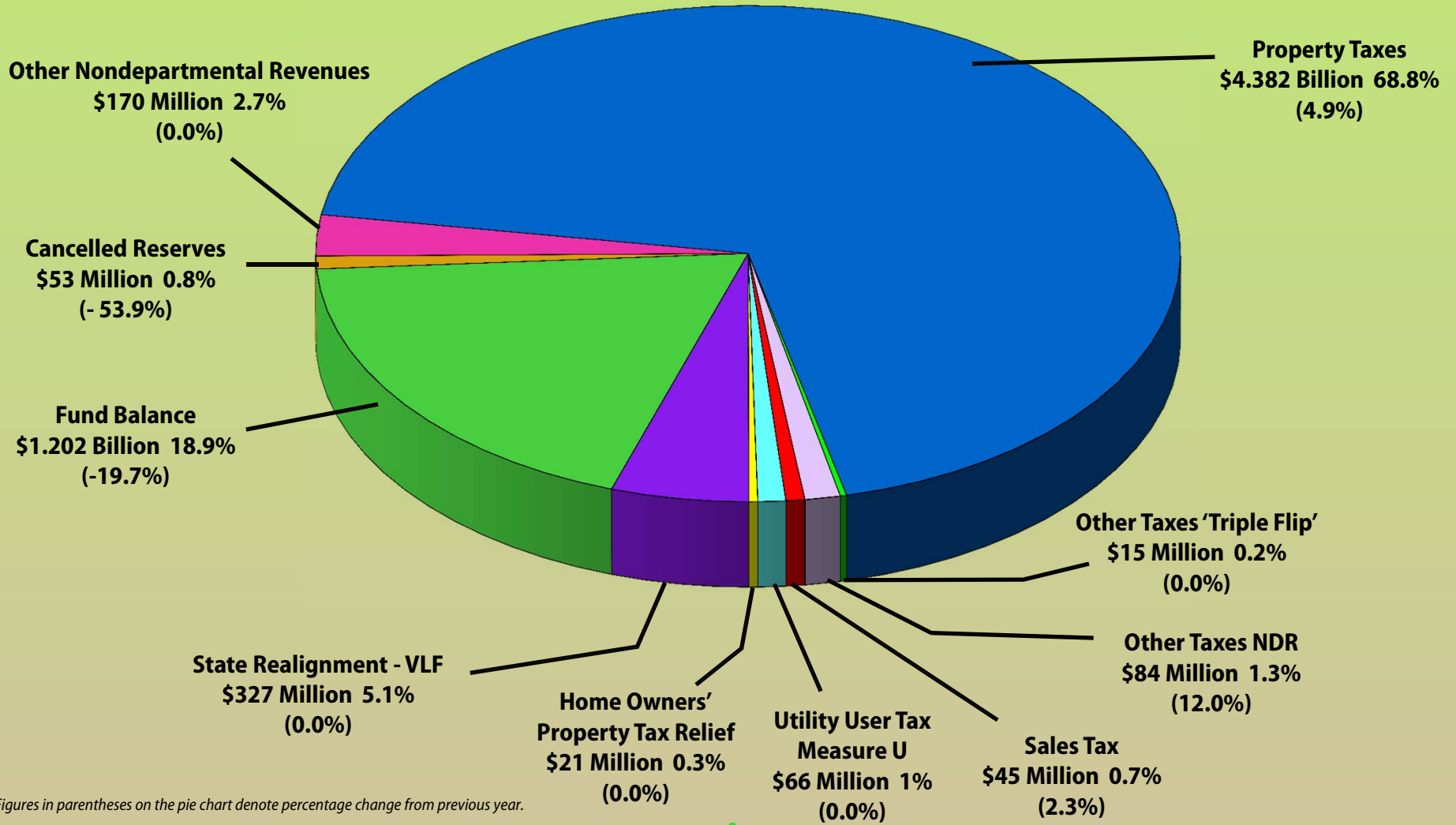
\$26.054 Billion (-0.2%)



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

Locally Generated Revenues

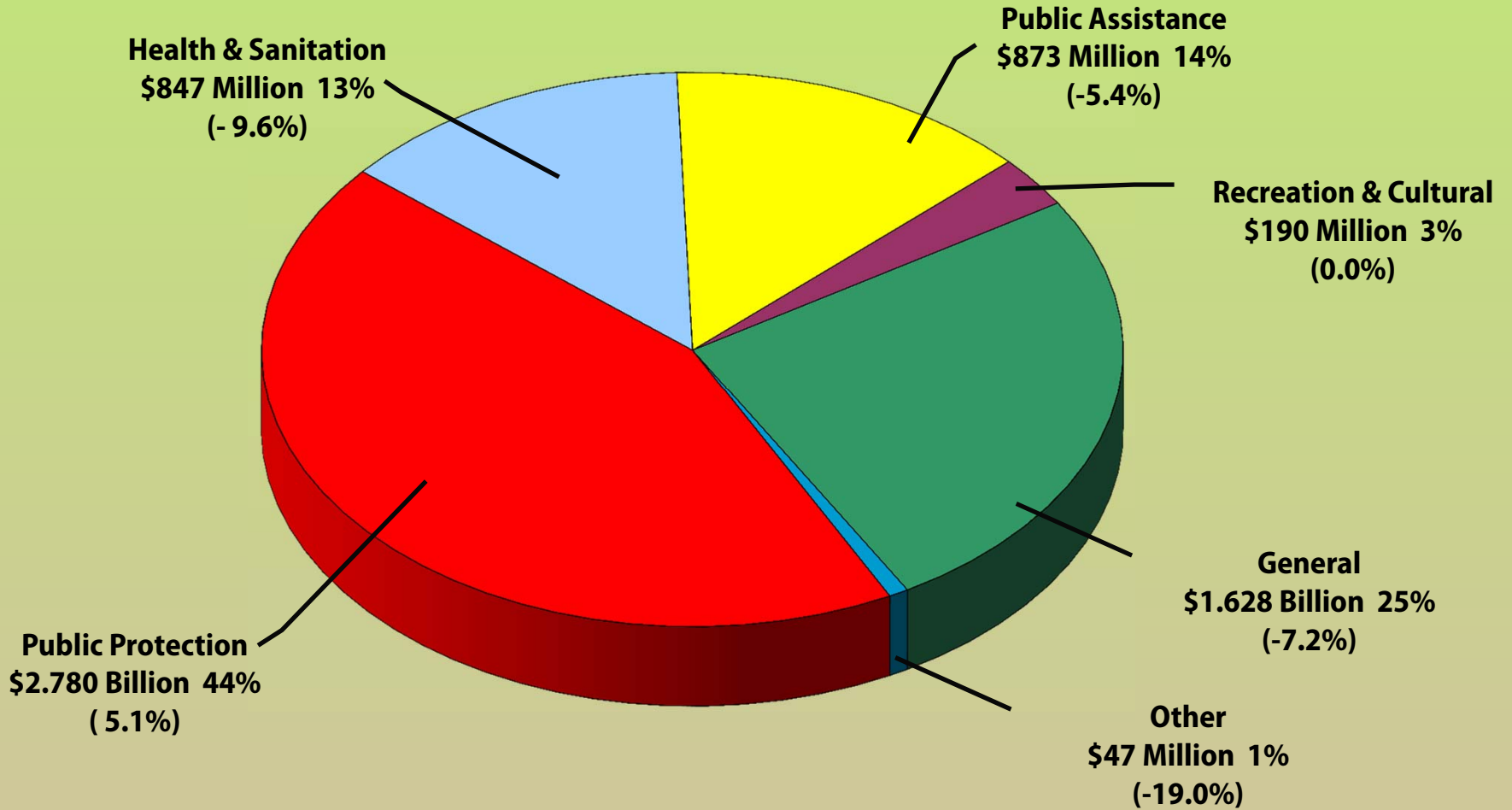
\$6.365 Billion (- 2.2%)



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

Net County Cost By Function

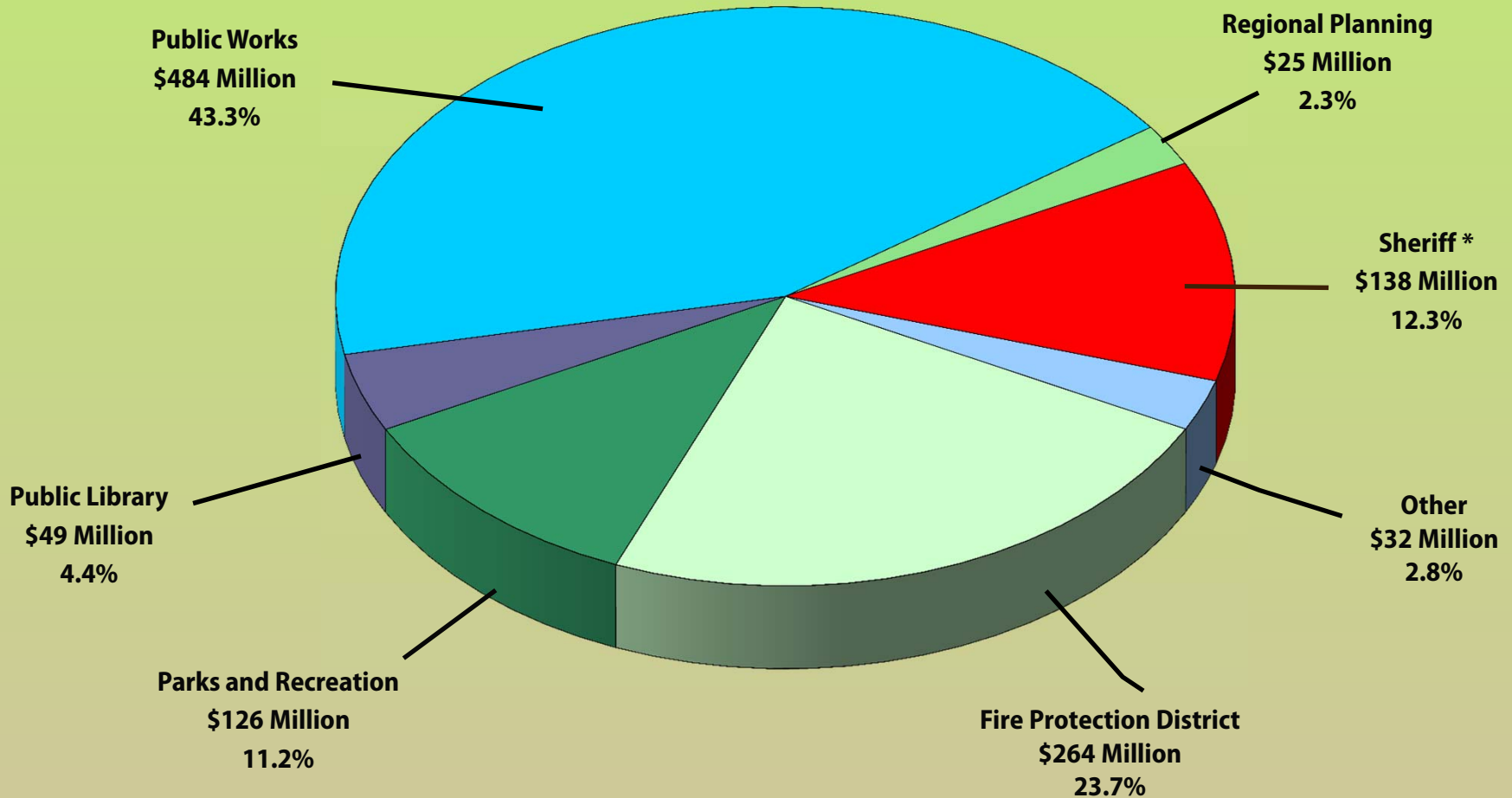
\$6.365 Billion (-2.2%)



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

Unincorporated Area Services Program Summary

Gross Appropriation: \$1.118 Billion



**Includes direct patrol costs based on FY 2013-14 rates, excluding countywide and departmental overhead costs and specialized countywide services costs such as Aero Bureau, Special Enforcement Bureau, etc. Beginning in FY 2013-14, these costs were excluded from Patrol Services, which is a departure from previously reported figures.*

**Mandated vs. Discretionary Cost
2014-15 Recommended Budget
\$26.054 Billion***



NCC \$6.365 Billion (24.4%)

**Program Specific Revenue/Fixed Costs
\$19.689 Billion (75.6%)**

(\$ in Millions)	
Health/Social Services	\$10,602.6
Property Tax Administration	77.6
Prop 172 Public Safety Augmentation Fund	699.7
Sheriff	592.7
District Attorney	107.0
Special Funds/Districts	5,782.9
Revenues That Offset Costs	2,384.0
Trial Court Funding	142.0

Flexible Costs
\$3.659 Billion (14.0%)**

Public Protection - \$1.454 Billion (5.6%) (\$ in Millions)	
Community-Based Contracts	\$2.8
Coroner	31.8
District Attorney – Criminal	125.1
Emergency Preparedness	4.7
Fire – Lifeguards	28.4
LARICS	6.5
Probation - Camps/Support	241.6
Sheriff	1,012.9

All Other Costs - \$2.205 Billion (8.4%) (\$ in Millions)	
Agric. Comm./Weights & Measures	\$11.1
Animal Care and Control	24.3
Capital Projects	566.3
Consumer Affairs	6.4
Countywide Services	120.2
Extraordinary Maintenance	134.0
General Government	643.0
Health	10.3
Health-Tobacco	97.7
Homeless Services	51.9
Mental Health	40.0
Other Public Services	148.3
Parks and Recreation	119.1
Project & Facility Development	55.8
Provisional Financing Uses	41.2
Public Health	92.6
Recreation and Cultural	24.1
Regional Planning	18.6

**Non-Flexible Costs
\$2.706 Billion (10.4%)**

MOE & Mandatory Costs - \$2.637 Billion (10.1%) (\$ in Millions)	
Alternate Public Defender	\$57.9
District Attorney – Criminal	60.1
Health/Mental Health	668.4
Court Related (Indigent Defense \$55.3)	307.7
Probation – Other	273.5
Public Defender	183.6
Social Services	651.0
Sheriff	434.5

Other Non-Flexible Costs - \$69.3 Million (0.3%) (\$ in Millions)	
Grand Jury	\$1.8
Judgments & Damages/Insurance	19.7
Museums Obligation	47.8

*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 15, 2014
Public Hearings	May 14, 2014
Budget Deliberations	June 23, 2014 until conclusion