



SACHI A. HAMAI  
Chief Executive Officer

# County of Los Angeles CHIEF EXECUTIVE OFFICE

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April 28, 2020

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

## **FISCAL YEAR 2020-21 RECOMMENDED COUNTY BUDGET (3-VOTES)**

The Fiscal Year (FY) 2020-21 Recommended Budget marks the first step in our annual budget process and culminates with the Supplemental Budget scheduled for late September 2020.

This Recommended Budget is intended to reflect the County's values and vision, and to provide a framework for our continuing commitment to improving life for all County residents, especially the vulnerable and underserved. In times of crisis and uncertainty, these values are more important than ever as a foundation for responding to emerging needs and rapidly changing economic circumstances while sustaining fundamental services and advancing key priorities of the Board of Supervisors.

The Recommended Budget was largely prepared before the World Health Organization declared the Coronavirus (COVID-19) a pandemic on March 11, 2020. My office is currently evaluating the budgetary impact of COVID-19. We will return in subsequent budget phases with additional recommendations, which may include budget reductions to both new and existing programs.

### **BUDGETARY IMPACT FROM COVID-19**

At the time this budget went to print, the rapidly evolving COVID-19 pandemic had created an unprecedented global health and economic emergency. The latest COVID-19 news, recommendations, and policies from local, State, and federal agencies have caused significant changes in everyday life, including restricting consumer behavior and spending.

As a result, the economy has experienced severe shocks, including significant stock market volatility. Local businesses and employment have been hurt by declines in consumer and business spending. Cancelled tourism, conferences, sporting events, concerts, and other large-scale gatherings, have contributed to the economic damage. Many economists believe that a recession has already taken hold.

We now anticipate that several revenue sources will be impacted by decreased spending in the local economy, including sales and use tax collected in the unincorporated areas, Proposition 172 Public Safety Sales Tax, Realignment Sales Tax, Measure H Sales Tax, and Hotel Tax (Transient Occupancy Tax). Ultimately, COVID-19's impact to the County's budget will depend on the severity and duration of the crisis.

### **BUDGET OVERVIEW**

The FY 2020-21 Recommended Budget total of \$35.5 billion reflects a decrease of \$594.2 million in total requirements when compared to the FY 2019-20 Final Adopted Budget. General County funds, comprised of the General Fund and Hospital Enterprise Funds, reflect a decrease of \$445.6 million. Special Districts/Special Funds reflect a decrease of \$148.6 million. The total number of budgeted positions will increase by 113, bringing the total to 112,873 budgeted positions.

<b>Fund Group (\$ in Billions)</b>	<b>2019-20 Final Adopted Budget</b>	<b>2020-21 Recommended</b>	<b>Change</b>	<b>% Change</b>
Total General County	\$27.925	\$27.479	(\$0.446)	-1.6%
Special Districts/ Special Funds	8.130	7.982	(0.148)	-1.8%
<b>Total Budget</b>	<b>\$36.055</b>	<b>\$35.461</b>	<b>(\$0.594)*</b>	<b>-1.6%</b>
Budgeted Positions	112,760	112,873	113	0.1%

\*This decrease is primarily due to reductions in fund balances across all fund groups.

## **Economic Outlook**

Throughout 2019, the County experienced slow but positive growth as the economy continued to expand since the Great Recession. Key economic indicators remained strong as Gross Domestic Product, housing values, and household incomes moderately grew while the unemployment rate declined. While these economic indicators were forecasted to remain positive in 2020, the outbreak of the COVID-19 pandemic has caused great economic uncertainty and disruptions. As mentioned above, my office is continuing to monitor the budgetary impact of COVID-19 and will provide updates during subsequent budget phases.

After consultation with the Assessor, we forecasted a 5.25 percent increase to the 2020 tax assessment roll for this budget. This forecast is preliminary, as the Assessor is scheduled to issue its official forecast in May 2020 and release the final roll in July 2020. We will continue to work with the Assessor to update assessed value projections. The budget also assumed a slight growth in statewide sales tax. Given the early impact of COVID-19, this assumption will be reevaluated in subsequent budget phases.

## **RECOMMENDED BUDGET HIGHLIGHTS**

### **Children, Families and Seniors**

- **Senate Bill (SB) 80 Earned Income Disregard (EID)**—Adds \$46.3 million to the Department of Public Social Services (DPSS), partially offset with State and federal revenue, to support California Work Opportunities and Responsibility to Kids (CalWORKs) cost per case increases resulting from the passage of SB 80, which increased the EID from \$225 to \$500. EID is the amount of income excluded when determining families' monthly CalWORKs grants. This increase will reduce the number of families becoming ineligible for CalWORKs because they exceeded income limits due to the rising minimum wage.
- **CalWORKs Stage One Child Care Program**—Provides \$5.2 million to DPSS to align the Department's childcare services budget with State and federal allocations. The Stage One Child Care Program increases access to child care services for CalWORKs participants continuously for 12 months or until the participants are transferred to Stage Two.
- **California Alternative Payment Program for Child Care**—Adds \$6.0 million to the Department of Children and Family Services (DCFS), fully offset with State and federal revenue, for childcare services vouchers for foster parents and dependency-involved families.

- **Antelope Valley Social Worker Bonus**—Adds \$6.7 million for DCFS, partially offset by federal revenue, to continue to recruit and retain experienced children’s social workers and supervising children’s social workers to geographically hard-to-staff offices.
- **Adult Protective Services**—Provides \$5.0 million and 20 positions to the Department of Workforce Development, Aging and Community Services (WDACS) to address an expected increase in caseloads, fully offset with 2011 Realignment funding and federal funding. These positions will provide a more targeted and effective service approach for seniors in need.
- **Foster Care Assistance**—Provides \$33.0 million to DCFS for projected placement rate increases, partially offset by a projected caseload decrease. Foster care assistance is paid on behalf of children in out-of-home placements who meet the eligibility requirements specified in applicable State and federal regulations and laws.
- **Adoption Assistance Program (AAP) and Kinship Guardianship Assistance Program (KinGAP)**—Adds \$31.8 million to DCFS for projected AAP and KinGAP placement rate increases and caseload growth, partially offset with State and federal revenue. The AAP helps prospective adoptive parents meet additional expenses of children, including those with special needs. KinGAP provides funding to children and transition-age youth who leave the juvenile court dependency system to live with a relative legal guardian.
- **Title IV-E Waiver**—Reflects a \$98.3 million decrease of federal revenue due to the sunset of the Title IV-E Waiver, offset by new federal Families First Transition Act funding and prior-year one-time funding previously set aside in the Provisional Financing Uses (PFU) budget unit.

**Affordable Housing and the Fight Against Homelessness**

- **Affordable Housing**—Provides \$50.0 million of new one-time funding to reach a total of \$100.0 million for the development and preservation of affordable housing. The funding will support affordable housing for very low and extremely low-income or homeless households, as well as other support services such as rental assistance, rapid re-housing, homeownership, and move-in assistance.

Additionally, as directed in your Board's November 5, 2019 motion, the Recommended Budget allocates \$16.1 million for the following programs:

- \$15.0 million to the Chief Executive Office (CEO) Affordable Housing Acquisition Fund; and
- \$1.1 million to the West Los Angeles Courthouse Project.
- **Rent Stabilization Program**—Provides \$3.8 million and 20 positions to the Department of Consumer and Business Affairs to support the Rent Stabilization Program, fully offset with Consumer Protection Settlement revenue. The program imposes a moratorium on rent increases in excess of 3 percent per year and prohibits evictions without just cause for rental properties in the unincorporated areas.
- **Homelessness**—The Recommended Budget reflects a total of \$430.0 million. In FY 2019-20, the Board approved one-time carryover of Measure H funding to address the County's homeless count and urgent needs in the homeless family system. The removal of this one-time funding will be partially offset with \$32.0 million from the State's Homeless Housing, Assistance, and Prevention grant. There is also an opportunity for additional State funding to continue the County's urgent homeless services and subsidy needs from last fiscal year. Measure H continues to provide support for thousands of homeless families and individuals. Between July 2017 through December 2019, more than 34,000 people entered crisis, bridge and interim housing and close to 20,000 homeless family members and individuals secured permanent housing.

Due to the subsequent impact of COVID-19, the Measure H sales tax revenue forecast will be reevaluated in a subsequent budget phase.

- **Assembly Bill 960 Homeless Assistance**—Adds \$12.8 million to DPSS, partially offset with State and federal revenue, to support the increase in the number of times a CalWORKs family can receive homeless assistance from 16 days per year to 16 days per occurrence.

- **CalWORKs Housing Support Program**—Provides \$8.1 million to DPSS, fully offset with State and federal revenue, to align the Department's housing support budget with State and federal allocations. The Housing Support Program fosters housing stability for families experiencing homelessness. The Program assists homeless CalWORKs families in obtaining permanent housing and can provide temporary shelter, help with moving costs, short- to medium-term rental subsidies, and wraparound case management.
- **Eviction Defense and Prevention Services**—Includes the continuation of \$2.0 million of Measure H funding for the development and implementation of the program. Additional ongoing funding sources are currently being analyzed to determine feasibility and, as a result, recommendations will be included in the Supplemental Budget.

### **Jobs and Economic Development**

- **Women in Trades–Apprenticeship Program**—Adds \$1.4 million and 15 positions to address gender inequities by providing opportunities for women in crafts and trades careers, which have historically been severely underrepresented by women. The County, in partnership with the Los Angeles and Orange County Building and Construction Trades Council, is re-establishing a formal Civil Service Crafts Apprenticeship Program, which provides on-the-job training with skilled journey-level crafts persons coupled with in-class room education to prepare apprentices for family-sustaining careers in the skilled crafts.
- **Economic Development**—Reflects \$3.6 million of new funding for the County's Bioscience Investment Fund and to support economic development programs for a more equitable and sustainable economy through business growth and increases in private sector employment.
- **In-Home Supportive Services (IHSS) Program**—Adds \$13.5 million to DPSS for support costs associated with wage increases and healthcare benefits for IHSS workers. In addition, the IHSS Maintenance of Effort (MOE) reflects a \$21.4 million increase based upon State law that requires counties to adjust the MOE base amount by a 4 percent inflation factor in 2020-21. These costs are partially offset with State and federal revenue.

### **Community**

- **Parks After Dark**—Provides \$4.3 million of one-time funding for summer programming related to the County's Gang Violence Reduction Initiative and early intervention strategies that promote health, safety, family cohesion, community well-being and equity in the underserved communities at 33 parks countywide.
- **Community Impact Grants Program**—Allocates year two funding of \$750,000 to provide arts services to County residents.
- **Parks and Cultural Facilities**—Includes \$123.8 million to maintain, construct, and refurbish various parks and cultural facilities following voter-approval of the Safe, Clean Neighborhood Parks and Beaches Protection and Water Conservation Measure (Measure A) on November 8, 2016.

### **Public Safety**

- **Probation Oversight Commission (POC)**—Adds \$2.4 million and 5 positions, fully offset with funding previously set aside in the PFU budget unit, to the newly created POC. This represents the initial implementation stage and includes 1 Executive Director and 4 prioritized staff positions and associated funding for startup operations. The POC will advise the Board and Chief Probation Officer as well as oversee and monitor Probation to address matters that affect the well-being of youth and adults under the Department's supervision.
- **Office of Inspector General (OIG)**—Adds \$1.7 million and 5 prioritized staff positions, partially offset with funding previously set aside in the PFU budget unit, to support the newly established POC. OIG will serve as the investigative arm of the new POC and provide independent and comprehensive oversight, monitoring, and reporting of the Probation Department's operations and conditions in detention facilities.
- **Human Sex Trafficking**—Adds \$648,000 and 2 positions to the Sex Crimes Division of the District Attorney's Office. These positions will prosecute the most difficult and complex human sex trafficking cases and participate in outreach programs to educate communities on the prevention of human sex trafficking.

- **Oleoresin Capsicum (OC) Spray Report**—Adds \$1.4 million and 10 positions to the Probation Department, offset with funding previously set aside in the PFU budget unit, to phase out the use of OC Spray in juvenile institutions. These positions will serve as master trainers and will have a direct role in engaging youth and assist in de-escalating crisis situations. Additionally, sets aside \$2.0 million in PFU for the future planned expansion of mental health services in juvenile institutions.
- **Prison Rape Elimination Act (PREA)**—Sets aside \$3.6 million in the PFU budget unit to establish a central PREA Unit and audit compliance within the Sheriff's Department and the OIG.
- **Sheriff Custody**—Sets aside \$10.0 million in the PFU budget unit for costs associated with custody compliance with settlement-related agreements.
- **Elimination of Fines and Fees**—Sets aside \$1.6 million in the PFU budget unit due to the elimination of the \$15 warrant fee for failure to appear in court. This fee was previously used to support the automated warrant system.

### **Healthcare**

#### **Mental Health**

- **Increased Mental Health Inpatient Bed Capacity**—Provides \$28.4 million, fully offset with 2011 Realignment funding, primarily for the planning and development of additional mental health bed capacity as well as increased costs.
- **Mental Health Services Act (MHSA) Spending**—Reflects \$16.6 million for mental health services as part of the updated MHSA plan, and adds 62 positions primarily for the Veteran's Peer Access Center to empower veteran assistance and provide resources for services. It also supports the Mental Health Community Provider Incubation Academy that develops community mental health partners to provide prevention services in their communities.
- **Mental Health Court Linkage Program**—Provides \$1.8 million and 14 positions, fully offset with MHSA funding, for the Court Linkage Program to increase coordination and collaboration between the criminal justice and mental health systems, improve access to mental health services and enhance continuity of care.

### Public Health

- **Health Facilities Inspection Services**—Adds \$21.1 million and 81 positions, fully offset with State funding, to continue to transition the federal certification, State licensing, and investigation of complaints and reported incidents from the State to the Department of Public Health (DPH).
- **Maternal, Child, and Adolescent Health**—Provides \$6.6 million, fully offset with State funding, to oversee the medical and programmatic perinatal health programs and to support the Medi-Cal Health Enrollment Navigators (MHEN) Project. The MHEN Project connects uninsured residents to healthcare and assists in navigating the healthcare system.
- **Substance Abuse Prevention and Control (SAPC)**—Adds 62 positions to DPH, fully offset primarily with a reduction in contracted services, to expand SAPC prevention services mainly through the establishment and operation of 50 student well-being centers at schools across the County.

### Health Services

- **Patient-Centered Medical Homes (PCMH) Expansion**—Reflects an increase of \$8.2 million and 71 positions, fully offset with the deletion of existing vacancies and increased revenues from Health Homes Program/Medi-Cal managed care funding, to enable the Department of Health Services (DHS) to integrate behavioral health and social work services within the foundation of PCMH teams, as well as enhance the care management services provided to the highest-risk adult patients.
- **Specialty Health Care**—Reflects an increase of \$2.8 million and 5 positions to assist the Chief Medical Officer in evaluating and improving specialty care services, such as ophthalmology and radiology, to reduce wait times and improve patient outcomes. The 5 positions are offset with existing vacancies.
- **Housing for Health Programs**—Provides \$6.0 million in State grant funding to add 75 beds and additional service capacity to the Bell Recuperative Care Center. Also reflects \$570,000 for expanded street-based homeless engagement services, and the reversal of various one-time funding.

- **Budget Reduction**—Reflects a \$112.6 million placeholder to reduce DHS' overall appropriation to match the estimated amount of obligated fund balance available, until the Department clarifies its revenue projections and explores other potential solutions to fully fund its budget. There are multiple federal initiatives that could have a material impact on DHS' budget and the Department is working with the CEO and the State to get more information on the potential impact of these initiatives over the coming months.

### **Other Key Initiatives**

- **Human Relations Commission**—Adds \$217,000 and 2 positions, offset with existing vacancies, to WDACS for the implementation and ongoing management of the anti-hate campaign.
- **Youth Climate Commission (Commission)**—Reflects an increase of \$246,000 to provide support staff in preparation of the establishment of the Commission. The Commission will give the youth in our communities a forum to introduce and recommend positive changes to protect our environment and enhance the overall efforts in our fight against the climate crisis. The funding request for the creation of the Commission may be submitted in Final Changes.
- **Vision Zero Initiative**—Adds \$356,000 and 2 positions to DPH to support the implementation of the Vision Zero Initiative. The Vision Zero Initiative is a component of the County's Sustainability Plan and has the primary goal of reducing traffic deaths and severe injuries in the County.
- **Voting Solutions for All People (VSAP)**—Sets aside \$17.0 million in the PFU budget unit for future ongoing costs.
- **Office of Oil and Gas Administration and Safety Compliance**—Provides \$100,000 in one-time funding for additional consultant services.
- **Flood Control District Funds/Safe Clean Water Program (Measure W)**—Includes the addition of 17 positions, fully offset with the deletion of 17 vacant positions, to support activities associated with the Safe Clean Water Program. The FY 2020-21 budget includes a net increase of \$71.8 million primarily due to \$78.7 million of carryover funding from lower than anticipated expenditures in the Measure W – Regional Program Fund, partially offset with a decrease of \$7.0 million of one-time funding.

### **Investing in Public Assets**

- **Capital Projects (CP)**—Allocates \$1.4 billion for continued development, design, and construction of capital projects in support of Board-directed priorities. This investment will improve the County’s ability to serve the public and protect the County’s real estate portfolio. In addition, sustainability initiatives including water conservation projects are being implemented in various County facilities. The CP Budget reflects an increase of \$0.3 million and the completion of 30 projects from the FY 2019-20 Final Adopted Budget.
- **Environmental Stewardship**—Provides \$79.3 million for continued water conservation projects including the Adventure Park Multi-Benefit Unincorporated Area Stormwater project, which is part of a countywide program to capture, divert and treat polluted stormwater runoff and comply with federal and State clean water regulations.
- **Enhancing Public Interaction with Cultural Institutions**—Includes \$11.0 million to enhance and expand access to the County’s unique cultural institutions, such as the Museum of Natural History, which will improve the quality of the museum.
- **Reinvesting in County Facilities**—Provides \$141.7 million for the rehabilitation of County facilities funded by the Extraordinary Maintenance budget and long-term financing to support goals of the Strategic Asset Management Plan, primarily through the Facility Reinvestment Program. This program recommends and implements the highest-priority projects to sustain and/or rehabilitate County-owned facilities. This allocation recommended in the FY 2020-21 Extraordinary Maintenance budget and long-term financing will:
  - Extend the useful life of the asset;
  - Allow the County to undertake the highest priority deferred maintenance projects in order to optimize the use of assets to their highest and best use;
  - Establish stronger connections between service priorities and asset decisions; and
  - Create a better enterprise-wide understanding of asset needs and priorities.
- **Seismic Safety Initiative**—Continues investments in projects to meet seismic safety standards for County hospitals as required in SB 1953. It also includes funding for the seismic strengthening of the Kenneth Hahn Hall of Administration and for studies of other high-priority buildings.

## **POTENTIAL STATE AND FEDERAL BUDGET IMPACTS**

Because a significant portion of the County budget is comprised of revenues received from the State and federal governments, we continue to monitor budget actions by those entities to determine the impact on the County budget.

### **State Budget**

On January 10, 2020, Governor Gavin Newsom released his \$222.2 billion FY 2020-21 Proposed Budget. The budget provides \$153.1 billion in State General Fund (SGF) expenditures and \$21.0 billion in reserves, including \$18.0 billion for the Budget Stabilization Account, \$1.6 billion for Special Funds for Economic Uncertainties, \$500.0 million for the Public School System Stabilization Account, and \$900.0 million for the Safety Net Reserve.

The Governor's FY 2020-21 Proposed Budget projects \$151.6 billion in SGF revenue largely driven by higher projections for personal income tax and corporation tax revenues. However, the Administration cautions that although the State is prepared for an economic downturn with reserves of \$21.0 billion, managing a recession could be challenging as even a moderate recession could result in State revenue declines of nearly \$70.0 billion and a budget deficit of over \$40.0 billion over three years. The Administration also notes that continued growth is uncertain due to a slowing global economy, the instability in global economic markets, and the nation's political climate and Federal policies. The Proposed Budget projects slower State revenue growth in each of the next four years compared to FY 2019-20, constraining new spending commitments.

The Legislature has been conducting budget subcommittee hearings on the Governor's Proposed Budget. However, most actions on the State budget will be held pending the release of the Governor's May Budget Revision that will contain updated revenue estimates and budget allocation.

The Sacramento Advocates have advised that conversations within the Administration and the Legislature are signaling that budget requests, beyond what was included in the Governor's Proposed Budget, may need to be scaled back significantly in light of COVID-19. Further, the State Franchise Tax Board has extended the tax filing deadline from April 15 to June 15. That date change is likely to have a significant impact on the Governor's May Revision which, under normal circumstances, would include the April tax receipts.

## **Federal Budget**

On February 10, 2020, the President released his \$4.8 trillion Budget Proposal for Federal Fiscal Year (FFY) 2021. The Budget Proposal requested spending cuts to mandatory programs over the next ten years, including \$17.0 billion for Medicaid, \$181.9 billion for the Supplemental Nutrition Assistance Program, and \$21.3 billion for Temporary Assistance for Needy Families.

The Budget Proposal also provided for \$28.0 billion in eliminations and \$20.0 billion in reductions to discretionary programs. Of interest to the County, the Budget Proposal called for the elimination of the following discretionary programs: Community Development Block Grant (\$3.4 billion), the HOME Investment Partnership Program (\$1.35 billion), CHOICE neighborhoods (\$175.0 million), the Community Services Block Grant (\$740.0 million), and the State Criminal Alien Assistance Program (\$240.0 million).

Specific to the County, the Budget Proposal requested level funding for the Public Health Emergency Preparedness Cooperative Agreement Program (\$675.0 million), which supports DPH's efforts to build and sustain skilled personnel and capabilities for a broad range of public health emergencies, including the response to the COVID-19. Additionally, the Budget Proposal included \$384.9 million for the Whittier Narrows Dam Safety Program, which is the highest funded project in the U.S. Army Corps of Engineer's FFY 2021 construction budget.

The President's Budget Proposal is generally a messaging document that conveys the Administration's priorities and recommended funding levels and is not binding or expected to be enacted. Congress typically pursues its own process to establish discretionary funding levels. Many of the proposed changes and cuts to mandatory and discretionary programs are those that have been proposed by this Administration in prior FFYs, but have never been enacted by Congress.

Congress started the process of developing appropriations legislation; however, in light of the COVID-19 public health emergency, attention has shifted to emergency supplemental funding and legislation to help respond to the public emergency and to lessen the economic impact of this emergency.

On March 6, 2020, the President signed into law, H.R. 6074, the "Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020," which provides a total of \$8.3 billion to address the COVID-19 threat, including \$7.8 billion in new appropriations and \$500.0 million to waive Medicare rules to promote the use of telehealth. Of interest to the County, the measure included \$950.0 million for grants and cooperative agreements for states and localities to respond to the COVID-19. Of this

funding, the County is anticipated to receive \$18.2 million through cooperative agreements.

At the time of this writing, Congress and the Administration were considering other measures to address the economic impact of the COVID-19 emergency.

### **SHORT- AND LONG-TERM BUDGET ISSUES**

The County, like all governmental entities, must balance the demands for new services and unavoidable cost increases within the amount of new revenue estimates. Given the County's limited authority to raise revenues, the Board has adhered to conservative budget practices, which helped the County weather the last recession without major service reductions, layoffs or furloughs. As we begin this initial stage of the budget process, we once again are challenged by the demand for County services that far exceeds the available financing sources.

The County has taken steps to address long-term budget issues over the last few years. The Board approved a multi-year plan to prefund retiree healthcare benefits and since emerging from the Great Recession, we have also increased our Rainy Day Fund each year. In FY 2019-20 we supplemented the Rainy Day Fund by \$39.0 million.

In addition and in accordance with County budget and fiscal policies, we are recommending that \$30.7 million be set aside in Appropriations for Contingencies as a hedge against unforeseen fiscal issues throughout the year. We are also adding \$7.1 million to the Extraordinary Maintenance budget unit to help address deferred maintenance needs throughout the County.

Looking forward, we recognize that many long-term budgetary issues will require significant investment by the County and may require a multi-year funding approach. Outlined below are some of the more significant budget issues:

- **Pensions**—On January 8, 2020, the Los Angeles County Employees Retirement Association (LACERA) lowered the rate of return assumption used for the valuation of pension plan assets from 7.25 to 7.00 percent, and changed the current 30-year layered amortization methodology used to fund future unanticipated changes in unfunded liabilities, such as assumption changes or actuarial gains and losses, to a maximum of 22 years. These changes, along with adjustments for prior-year investment performance, will result in increased retirement contribution costs beginning in FY 2020-21 and continuing through FY 2023-24.

In addition to the above, mounting investor concerns over the economic fallout from the COVID-19 outbreak has resulted in a significant decline in the financial markets. Sustained decreases in stocks by the end of the fiscal year will result in future increases in retirement contribution rates. Since it is quite likely that LACERA investments will not meet their 7.25 percent assumed rate of return for FY 2019-20, this will increase the pension funds unfunded actuarial accrued liability. Under California county retirement law, liabilities not funded through member contributions are the responsibility of the employer. As a result, the County should expect sharp increases in pension costs in FY 2021-22.

- **Expiration of the Title IV-E Waiver**—With the sunset of the federal Title IV-E Waiver, the budget reflects a reduction in federal revenue of \$98.3 million. The County is utilizing existing funding to bridge its services to the federal Family First Prevention Services Act (FFPSA). DCFS is in the process of analyzing and optimizing both its spending and claiming activities in an effort to minimize any service impact as a result of the loss of the waiver. Planning efforts are also underway to align existing services with FFPSA provisions, which seek to prevent the entry into foster care by funding evidence-based prevention strategies.
- **VSAP**—Over the next three years, we estimate that \$63.0 million in funding (including \$54.0 million in FY 2020-21) will be needed for the development and implementation of enhancements to the new voting system.
- **Rainy Day Fund**—To reach the prescribed level, the County has embarked on a multi-year plan to supplement this reserve by approximately \$78.0 million over the next two years.
- **Information Technology Systems Replacement**—The unfunded cost to replace and modernize the County's most critical information technology legacy systems is expected to exceed \$215.0 million over the next three years.
- **Deferred Maintenance**—The Facility Reinvestment Program is a \$750.0 million five-year program to address deferred maintenance of existing County buildings and facilities. This is an initial plan to begin to address a much larger backlog of the highest priority deferred maintenance and building systems replacement projects, currently estimated at \$2.4 billion based on completed building assessments.
- **Seismic Safety**—In order to improve the County's ability to survive a major earthquake and to provide public services following an earthquake, additional funding, estimated to exceed \$2.0 billion, is needed to upgrade buildings following completion of the ongoing assessment of high-risk buildings.

- **Other Postemployment Benefits (OPEB)**—The Recommended Budget adds \$63.4 million in pre-funding contributions to the OPEB Trust Fund. This is the sixth year of a multi-year plan to fully fund the \$2.2 billion annual required contribution (ARC). Based on current projections for the OPEB pre-funding plan, the OPEB ARC will be fully funded by FY 2027-28.
- **Stormwater and Urban Runoff**—To address regulatory stormwater and urban runoff compliance in the unincorporated areas, we estimate that \$495.4 million will be needed over the next five years. This amount may be partially offset with Measure W taxes.

**BUDGET TIMETABLE**

Below is the schedule for budget hearings and deliberations.

Board Action	Approval Date
Adopt Recommended Budget; Order the Publication of the Necessary Notices; Distribute the Recommended Budget; and Schedule Public Hearings	April 28, 2020
Commence Public Budget Hearings	May 13, 2020
Commence Final Budget Deliberations and Adopt Budget Upon Conclusion	June 29, 2020

Prior to deliberations on the FY 2020-21 Adopted Budget, we will file reports on:

- May 2020 revisions to the Governor’s Budget and updates on other 2020-21 State and federal budget legislation and the impact on the County’s Recommended Budget;
- Final revisions reflecting the latest estimates of requirements and available funds;
- Issues raised in public hearings or written testimony;
- Specific matters with potential fiscal impact; and
- Issues as instructed by the Board.

## **APPROVAL OF RECOMMENDED BUDGET**

The matter before the Board is the adoption of the Recommended Budget.

- The documents must be available for consideration by the public at least ten days prior to the commencement of public budget hearings.
- Adjustments to the budget, including revisions to reflect the Board's funding priorities and State and federal budget actions, can be made during budget deliberations, prior to adoption of the Budget.
- Pursuant to State law (the County Budget Act), the Board may make changes to the Recommended Budget with a simple majority (3 votes) until adoption of the Budget, if changes are based on the permanent record developed during public hearings (e.g., Recommended Budget, budget requests and all written and oral input by Supervisors, County staff and the public).
- Changes not based on the "permanent record" require 4/5 vote.

### **THEREFORE, IT IS RECOMMENDED THAT THE BOARD:**

Order such revisions, additions, and changes to the Chief Executive Officer's budget recommendations as deemed necessary, and approve the revised figures as the Recommended Budget for 2020-21; order the publication of the necessary notices; and set May 13, 2020, as the date that public budget hearings will begin.

Respectfully submitted,

  
SACHI A. HAMAI  
Chief Executive Officer