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Economy & Efficiency Commission Presentation

**PRESENTATION BY
Mr. David Janssen
Chief Administrative Officer, Los Angeles County
Topic: The State of the County
October 1, 1998**

Chairman Abel introduced Mr. David Janssen, Chief Administrative Officer, Los Angeles County. Mr. Janssen began his presentation by commenting on the Commission's report concerning services to unincorporated areas. He reported that the Board has approved the CAO's request to establish an Office of Unincorporated Affairs within the CAO. It will cost approximately \$500,000 and have six people assigned to it. The first thing that this Office will work on is the Commission's report. This Office will attempt to maintain a coordinated effort to provide services and provide a single source of contact for residents of the County's unincorporated areas.

Mr. Janssen began his discussion on the "State of the County", by pointing out that many things have happened, particularly in the financial area. When the CAO put the budget together in April 1997, the county had a projected deficit for the fiscal year. Many issues were left out of the budget that the County did not have the resources to handle at the time, e.g., elimination of funding for legal immigrants, no salary increases, \$50 million at risk in Sacramento, \$160 million judgement against the county on general relief, \$10 million in Social Services that required legislation, a \$50 million loan to the MTA that the courts determined that the County had to pay back, etc.

After the budget was put together the County went to New York and convinced rating agencies to reinstate the County's short term rating. This was accomplished by admitting the existing problems and subsequently correcting each of them. The foremost element in achieving this rating was the willingness of the Board of Supervisors to make the tough decisions, particularly in areas of welfare reform. The Board has also consistently decided to keep Health Department operations on an even keel. Leadership from the Board has been critical in this area.

Mr. Janssen also feels that the County has adopted a different approach on how it deals with Washington and Sacramento. The County now wants to be perceived as helping to solve the problem, not to be part of the problem. A unified Los Angeles County becomes a powerful force.

One year later the economy has improved. For the first time in ten years there was a surplus projected, the County has arrived at a three-year agreement with the employees, the Metropolitan Transportation Authority (MTA) loan was fixed, and we provided care to legal immigrants. There still remains two basic structural problems in the budget; the use of Los Angeles County Employee's Retirement Association (LACERA) excess earnings to balance the budget about \$350 million and the Health Department. The Health Department is solid for two years and LACERA earnings for five years.

After many years of holding the line on the budget, there will be overwhelming demands for services. In spite of that the Board approved a budget that increased a budget by only \$7 million, with \$6 million to reestablish unincorporated area services. They also approved a 5-year program of \$30 million a year to get us out of the LACERA problem. Additionally, the Board put \$10 million into infrastructure maintenance.

In September \$79 million became available in fund balance. The Board used only \$1.8 million to fund additional programs. The remainder went into the infrastructure, \$40 million being added to infrastructure automation. In addition, the County paid off \$25 million in a court judgement. Commissioner Padilla asked if bonds were used for this payment. Mr. Janssen reported that although the Board had approved judgement bonds, given the fund balance, it made sense to pay off the judgement. Commissioner Buerk asked how much of the judgement amount comes from contract cities. Mr. Janssen replied that all of it would be coming from contract cities. Mr. Janssen has been negotiating with contract cities for the past year on the transfer of the liability program to them. If a city wants to contract for services from another city, the contracting city will assume the liability.

In two years the County is facing a \$300 million problem in the Health Department. It is better than it was when it was \$655, but it is a constant struggle. LAC/USC continues to be a political issue. The relationships established in the past remain in jeopardy because of this one facility. The Board has agreed upon a 600-bed facility, with an option of going to an additional 150 beds in the future.

Several other issues have been addressed:

- The county has committed more than \$35 million to mental health problems in the jails.
- The Washington, D.C. Office has opened.
- The Board has begun an aggressive campaign of auditing with the Sheriff's Department.
- Trial court funding is the most dramatic long term change in county government. The courts are no longer a part of the county budget process, although a close relationship must exist. Responsibility for funding the courts is now with the State. The County sees this approach as a relief for counties.
- Welfare reforms in both Washington and Sacramento have been where the tough decisions have been made. Independent reports have shown that Los Angeles County is successful in getting people off the roles and into jobs.
- There is adequate money for child care and for mental health support services.

The County is embarking upon a strategic planning process. A lack of a strategic plan has been visibly demonstrated in McLaren Hall last winter. The Board had five departments to deal with, four reporting to the Board and one being independent. The resolution of this coordination problem was in the CAO adding a Special Assistant to coordinate a solution within these departments for McLaren Hall. To further advance the strategic planning process, the CAO is developing a policy manual for the Board rather than having policy being developed each Tuesday at the board meeting. The strategic planning process has involved UCLA and discussions with department heads and second level managers within the County. This begins the establishment of a structure to allow things to happen. Commissioner Buerk asked to what degree the Supervisors are getting involved in the strategic planning process. Mr. Janssen replied that they are all supportive of the process. Discussions have been held on how best to involve the Board in the process.

In response to a question by Chairman Abel on what Mr. Janssen would like to see addressed in the future, he distributed a handout indicating the Proposed Budget percentages for Fiscal Years 1998-99. Since much of the budget is beyond the control of the County, strategic planning is taking place around expectations of events that may or may not happen in Sacramento and Washington. Considering the long term structural problems of California, what the State has done on the Vehicle License Tax (VLF) may well come back to haunt the County. The state did not eliminate it and chose to backfill these funds with state general funds. The County had wanted the State to credit income tax instead of using County revenue sources. Mr. Janssen felt that this was not a bad compromise. The backfill uses continuing appropriations money. If the State gets into an economic problem, the tax stays. Since the County is an arm of State government, the County remains at risk and the structural problem remains.

Mr. Janssen stated that the problem did not start with Proposition 13, it has always been an issue. In the late 60's the property tax administered by county government was going up, in large part due to state mandated programs that the county had to pay. This problem continues to exist.

Chairman Able asked about recent discussion in Sacramento and around the state concerning the continued existence of county government. Mr. Janssen responded that in the past he had recommended that consideration be given to eliminating counties. This position opens the discussion. Pragmatically, to keep government close to the people, cities will never be eliminated. Without the possibility of eliminating cities eliminating counties is the one remaining consideration. Cities do not support eliminating counties since none of the county's programs, e.g., welfare, jails, etc., go away. Thus, practically counties will not be eliminated since cities will not take on county programs and the state does not want the number of state's employees to increase to accommodate the delivery of these services. These factors make it difficult to come up with a good solution to this question.

Commissioner Crowley asked if the County's strategic planning address issues of regional and subregional elements. Mr. Janssen felt that the County needs to address basic organizational problems before addressing these more complicated issues. Commissioner Crowley commented that regional boundaries are in constant change without the existence of a governmental element that deals with the changing parameters. Mr. Janssen felt that the City of Los Angeles was a case study of these types of issues. Whatever the structure is, it must provide for the participation by neighborhoods and communities. This approach demands a reasonable balance of governmental organizations.

Commissioner Philibosian questioned whether it would be of value to invite some state legislators to some of the County's strategic planning sessions. Mr. Janssen felt that the current strategic planning should have an organizational focus rather than an external one.

Commissioner Farrar commented that he has been involved in the asset management aspects of strategic planning. He felt that asset management was an area that the County could address immediately to achieve gains. Asset planning under the Chief Administrative Office with a five- year asset plan would be of great benefit. At this point Chairman Abel thanked Mr. Janssen for spending time with the Commission and his presentation.

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