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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

**PRESENTATIONS BY
William T Fujioka
Chief Executive Officer
Los Angeles County**

October 2, 2008

Chairman Ikejiri greeted Mr. Fujioka, Chief Executive Officer (CEO) and welcomed him while turning it over for him to speak to the Economy and Efficiency Commission (EEC). Mr. Fujioka expressed that he was honored to be there and thanked Executive Director Edward Eng for inviting him to speak to the EEC.

Department Overview

Mr. Fujioka stated that the Chief Executive Office develops recommendations on fiscal and policy matters for the Board of Supervisors, provides effective leadership for the County organization in carrying out the Board's policy decisions, oversees the operations of the County's 39 business units and departments, and ensures financial stability.

Budget

Acknowledging that the County is facing a challenging financial year, Mr. Fujioka today unveiled a proposed \$21.9 billion 2008-09 county budget that calls for a slight decrease in spending and positions, but no layoffs or major program cuts.

The County's current fiscal condition is the result of the Board of Supervisors' strong fiscal policies and conservative approach to the budget in past years. Due to the uncertainty surrounding the extent and duration of the current economic downturn, Mr. Fujioka explained that the County should continue to exercise this same conservative approach in the management of the budget.

Mr. Fujioka commented that despite the weakened economy, the budget funds a number of critical programs and continues to support development of high-priority capital projects, including \$1.5 billion for new jails, fire stations, health facilities, animal shelters, libraries and other infrastructures. The budget also provides funding for high priority programs, collaborative initiatives and projects that produce ongoing efficiencies. The one-time funding for initiatives for ongoing efficiencies will result in lower costs to the County.

Mr. Fujioka stated this is the first year that the budget has been drafted under the County's new executive

structure, which has resulted in a more collaborative effort in identifying high-priority programs, ways to streamline processes and elimination of duplicative efforts. Mr. Fujioka also stated that the CEO staff will continue throughout the year to work with departments to identify additional efficiencies and opportunities for improved service delivery. Special emphasis will be given to implementing innovative technology projects and continuing a collaborative approach by departments in solving their problems and providing services.

Mr. Fujioka commented that a 35-position decrease in employee count, bringing the County workforce to 102,240, would still maintain the County's ranking as the largest employer in the five-county region.

Mr. Fujioka explained that a total of \$36.1 million was eliminated from some departments' budgets, but the reductions would not impact current services as the funding cuts were from long-term vacancies or other savings. The Department of Health Services has a net decrease of 111 positions, the largest of any department, while the Sheriff's Department is targeted to receive 240 more positions.

Mr. Fujioka stated that the impacts of the threatened significant cuts in State and Federal funding are not yet known and therefore are not reflected in the budget. However, the budget does include a decrease of \$127 million for health services; a plan for addressing the department's structural deficit will be presented to the Board in June. For the Fiscal Year 2007-08 the Adopted Budget for the County of Los Angeles totals approximately \$22.5 billion and provides for more than 100,000 budgeted positions, focusing once again on public safety, health issues, and critical infrastructure needs. This budget process, which began in April 2007, projected the continuation of a third year healthy local economic growth, but has changed dramatically over the period of nine months.

In addition, the budget provides \$25 million to increase the County's initiative in the growing area of information technology. Public safety continues to be a high priority for the County. Funding is provided in the Sheriff's Department budget to add or refurbish jail beds and increase positions in the custody system. The budget also includes additional positions for the probation Department to staff camps, halls and placement to assist in ensuring compliance with U.S. Department of Justice requirements and reduce caseloads.

During the prior years of budget restoration and growth, the County was able to significantly increase funding for public protection, children and family programs, health services, homeless services, unincorporated services and capital improvements. These investments in County programs were bolstered by the strong real estate market and a healthy local economy. Today the County now faces uncertainties driven by the economy and State budget deficit. Although 2008-09 will be a challenging year for the County, the County is in a good position to face these challenges in large part from its conservative approach to the budget in past years. Due to the uncertainty surrounding the extent and duration of the current economic downturn, the County will continue to exercise this same conservation approach in the management of the budget.

Potential State/Federal Budget Impacts

The Governor's 2008-09 Proposed State Budget was released on January 10, 2008. Although the Proposed Budget significantly impacts the County, it did not recommend exercising the State's option to borrow local government tax revenues pursuant to Proposition 1A, the Protection of Local Government Revenues Act.

The overall fiscal impact to the County of the Governor's proposed reduction in 2007-08 and in his Proposed Budget for 2008-09 was projected to be \$18.4 million in 2007-08 and \$276.3 million in 2008-09. For 2007-08, the most significant impacts to the County included Cal/Works Program Reforms \$11.3 million, Federal Safety Net Care Pool Payment/South L.A Preservation Fund \$2.0 million and various payments deferrals from the State.

Questions

Commissioner Mindlin asked if Mr. Fujioka foresees a negative impact and a positive impact for the citizens

of Los Angeles County? Mr. Fujioka expressed the negative impact on Health Care, and stated that depending on who will be elected President will determine how the County will be impacted.

Commissioner Glassman expressed that one thing that needs to be addressed is the role confusion between Deputy Chief Executive Officers (DCEOs) and Board Offices, which was perceived as a major threat according to the Governance Report. Commissioner Glassman asked if any progress has been made in that area since the publication of the Governance Report? Mr. Fujioka replied that information was given out to all Chief Deputies asking for feedback. Meetings with Chief Deputies are also ongoing to clarify the roles and responsibilities of the DCEOs.

Commissioner Fuhrman asked if Mr. Fujioka thinks the issues that were raised with the Governance Structure will help the Board Offices come to consensus on what they see as the role for DCEOs? Mr. Fujioka replied that is very difficult to answer and stated that some offices do not support any type of Structure. Mr. Fujioka stated that if the focus is on facilitation, coordination, and collaboration, then the Departments need to work together to make the Governance Structure work.

Commissioner Glassman asked what are some of the areas that Mr. Fujioka would like the E&E Commission to look at and how can the E&E Commission help in any way? Mr. Fujioka stated that he would like the E&E to assist in revamping the Examination and the Appointment Process.

Chairman Ikejiri expressed his appreciation to Mr. Fujioka for coming to speak to the EEC and the Commissioners applauded.

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