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## **Economy & Efficiency Commission Presentation**

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*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**

**January 5, 2012**

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### **Overview of Los Angeles County**

Chairman Barcelona greeted Mr. Fujioka, Chief Executive Officer for Los Angeles County and welcomed him while turning it over for Mr. Fujioka to speak to the Economy and Efficiency Commission.

### **State of the County**

Mr. Fujioka stated that in the State of the County is definitely starting to see growth. He stated that a series of simple steps like buying better light bulbs and disconnecting unused phone lines has helped Los Angeles County save about \$218 million a year under an efficiency initiative triggered by the budget crisis. He also stated that he launched the effort in spring 2009 as the County faced a massive deficit. He stated that he directed departments to come up with ways to streamline operations and reduce expenses, and they are now working on more than 400 projects toward that directive. He stated that these are hardcore savings, not make-believe savings. He stated that the County currently has a budget of \$23 billion, about \$1 billion less than last year.

Mr. Fujioka stated that after a rough 2011 in which Los Angeles County took multiple budget hits from the State, the County's legislative wish list for 2012 will mostly focus on preserving funding for a wide range of programs. He stated that the agenda will include protecting money for jails and health services, as well as implementing pension reform and extending a law that allows courts to require the mentally ill to seek treatment.

Mr. Fujioka stated that his first priority is to prevent the State from further slashing the money it gives the County to implement various programs. He stated that given the State's ongoing budget issues, and the uncertain economic environment at the state and national levels, the County will continue to focus its advocacy efforts on the preservation of state funding for this fiscal year and beyond.

Mr. Fujioka stated that the Board of Supervisors is also pursuing a constitutional amendment that would ensure counties would continue receiving money from the State to implement Governor Jerry Brown's

inmate realignment plan. He also stated that under existing legislation, state lawmakers gave counties only a year's worth of funding to assume the state's responsibility of jailing and supervising the parole of low level criminals. He stated that without constitutionally guaranteed revenue sources and other protections, the County could face future funding instability and increased costs.

Mr. Fujioka stated that the county's state legislative agenda also includes:

- Opposing efforts to realign additional state responsibilities to the County unless funding is guaranteed;
- Maintaining or expanding the County's funding for safety net programs as the State prepares to implement federal health care reform;
- Supporting proposals that would reduce the two-thirds vote requirement for increasing revenues;
- Supporting the continued eligibility of immigrant foster children for Medi-Cal and Foster Care funds;
- Advocating to authorize local governments to implement retirement changes to prevent bonuses and overtime from being included in pensionable income; and
- Supporting legislation to specify that no more than 10 percent of a city-owned or controlled housing could be occupied by city employees or individuals with a conflict of interest, in order to prevent abuses perceived to have occurred in Vernon.

Mr. Fujioka stated that though the fiscal situation is one of the most challenging since the early 1990s, the County is in much better financial shape than many local governments, largely due to its conservative fiscal practices. He stated that the County continues to see erosion in several other key revenue sources, including: the deed transfer tax, minus 31.3 %; Proposition 172 sales tax, minus 5.8 %; local sales tax, minus 5.9%; and interest earnings, minus 56.8 %. He stated that the Governor's original proposal identified \$5.9 billion in funding for the realigned programs by extending the existing 1.0 percent sales tax rate increase, (\$4.5 billion), and the 0.5 percent Vehicle License Fee (VLF) rate increase (\$1.4 billion for five years), subject to voter approval at a special election originally scheduled for June 2011. He stated that the proposal also recommended the realignment of mental health services to be funded through the redirection of \$861.1 million in one-time Mental Health Services Act funds in FY 2011-12. He also stated starting in FY 2012-13, these programs would be funded via the proposed sales tax and VLF extensions.

Mr. Fujioka stated that helping the County's situation are projections of an improving economy. He stated that sales tax revenues are expected to increase by 5% to 10% in the new budget year that begins in July; and property tax revenues are expected to increase by 0.76%, the first increase since 2009.

Mr. Fujioka stated that the top budget adviser warned last year that retirement costs could consume nearly a third of the budget by 2015, drastically reducing the amount of money available for public services, unless major changes were made. He stated that he praises all five members of the Board of Supervisors for resisting moves to dramatically increase spending during boom years while denying generous retirement benefits to its employees in the last decade, even as other municipalities did so.

Mr. Fujioka stated that he has credited the supervisors on not approving generous retirement packages. He stated that L.A. County offers 2% of an employee's salary for each year they work as long as they have accumulated 30 years of service, meaning someone could earn 60% of his salary upon retirement. He stated that in contrast, San Bernardino County offers 3%, giving a retiree there access to 90% of their salary. He stated that the County was able to bridge the \$220.9-million shortfall by a mix of actions such as eliminating vacant positions, getting unions to forgo a cost-of-living wage increase, consolidating departments and using \$185 million in surplus money for capital projects that were cheaper than expected. He stated that the County will also finish paying off a bond issued in 1994 to pay for pension obligations, freeing up more than \$100 million.

## **Questions**

Chair-Emeritus Philibosian asked if any of the sales tax revenue increase attributable to the decrease in the tax rate. Mr. Fujioka replied that he is not quite sure. He stated that there are a lot of people buying things in the County but they are not buying a car which is an issue. He stated that people are spending money. He stated that the County is starting to see some growth which is a surprise.

Commissioner Mindlin stated that his grandfather's generation was known as the greatest generation America has ever had because they were people who did things without ever expecting anything back. He

stated that what he has seen with the economic downfall is potential growth. He asked if the County can use this in an effort to bring citizens back in. He stated that on the news he saw the Sheriffs' reserves and how he has citizen reserve deputies. He stated that his father was a surgeon and is now over 70 years old and can't practice anymore. He stated if there was a disaster with a homeland security issue, why not utilize him as part of an army of people to go to a designated place and be a triage group that could assist people. He stated he would do it for free as long as there was no liability. Mr. Fujioka replied that he is glad Commissioner Mindlin raised that point because it is a subject that he has been thinking about. Mr. Fujioka stated that he lives in the San Gabriel Valley and with the wind storm the community was paralyzed and some people couldn't get out of their homes. He stated that the power was out for up to seven days and that people were very upset because they lost food, etc. He stated that it is critical to recognize that the Government is not the answer and that communities and neighborhoods need to get ready and coordinate with one another to prepare for disasters.

Commissioner Mindlin stated that he and a group of guys get together about once a quarter and have a speaker come to talk to the communities about what is happening in LA County. He stated that he would like to have Mr. Fujioka come and speak about Emergency Preparedness.

Commissioner Murray stated he is the Executive Director of the Inner City Law Center and stated he would like to thank Mr. Fujioka for the Chief Executive Office's leadership on prioritizing County resources. He stated that the next step of that is to push COLA to prioritize in that direction. Mr. Fujioka stated that Supervisor Yaroslavsky, as the Chair of the Board of Supervisors, has put together a homeless task force so that the County has continued efforts in the departments. He stated that Supervisor Yaroslavsky wants to have a centralized coordinated effort.

Commissioner Safier stated that about 4 or 5 years ago the County changed the Chief Administrative Office structure from the CAO to the CEO. He stated that he heard rumblings early on that there was a lot of concern about the new CEO structure. Mr. Fujioka stated that there was quite a study done by the Economy & Efficiency Commission about the new structure. He stated that beauty is in the eye of the beholder. He stated you will have some that will say it doesn't work and some that will say other wise. He stated it is such a huge shift it will take time to see the fruits of the efforts.

Chairman Barcelona expressed his appreciation to Mr. Fujioka and invited him to come back to speak to the EEC in the near future and the Commissioners applauded.

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Kenneth Hahn Hall of Administration, Room 163, 500 West Temple St.,  
Los Angeles, CA 90012  
Phone (213) 974-1491 FAX (213) 620-1437 [EMail eecomm@co.la.ca.us](mailto:EMail_eecomm@co.la.ca.us)  
WEB [eec.co.la.ca.us](http://eec.co.la.ca.us)