

FY 15/16
CAO Recommended
General Fund Budget Update

Pamela Knorr, Chief Administrative Officer

Laura Schwartz, Chief Budget Officer

Joe Harn, Auditor/Controller

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Presentation Objectives

- Review the County GF Cash Balance
- Quantify the GF budget deficit situation
- Review approach to developing CAO Recommended Budget
- Review Budget Accomplishments
- Putting Your Money Where Your Mouth Is
 - How does the CAO Recommended budget begin to align with the draft Strategic Plan framework?
- Review Budget Deficiencies
- The Path To Achieving a Structurally Balanced GF Budget

County General Fund Cash Balance

There is a significant adverse trend in the County's General Fund Cash Balance.

March 31, 2014 balance \$20,482,271

March 31, 2015 balance \$4,321,614.

QUANTIFYING THE DEFICIT

THE LONG TERM EVOLUTION TO AN UNSUSTAINABLE BUDGET

Quantifying the Deficit

Discretionary Programs Paid for With Discretionary Funds

Over time, the County has developed a practice of implementing new discretionary programs:

1. Without sufficient quantitative data,
2. Without an identified funding source,
3. Without a cost benefit analysis, and
4. Without a comprehensive approach to prioritization or consideration of the adverse impact that adding new programs has on essential services.

Quantifying the Financial Impacts of Policy Decisions

Description	Cost
Discretionary funds for optional programs	\$2.8M
Reduction of contingency through spontaneous spending	\$1M
Labor Negotiations	\$24M
Adding positions	\$13M
Long standing inadequate infrastructure investments	\$15M

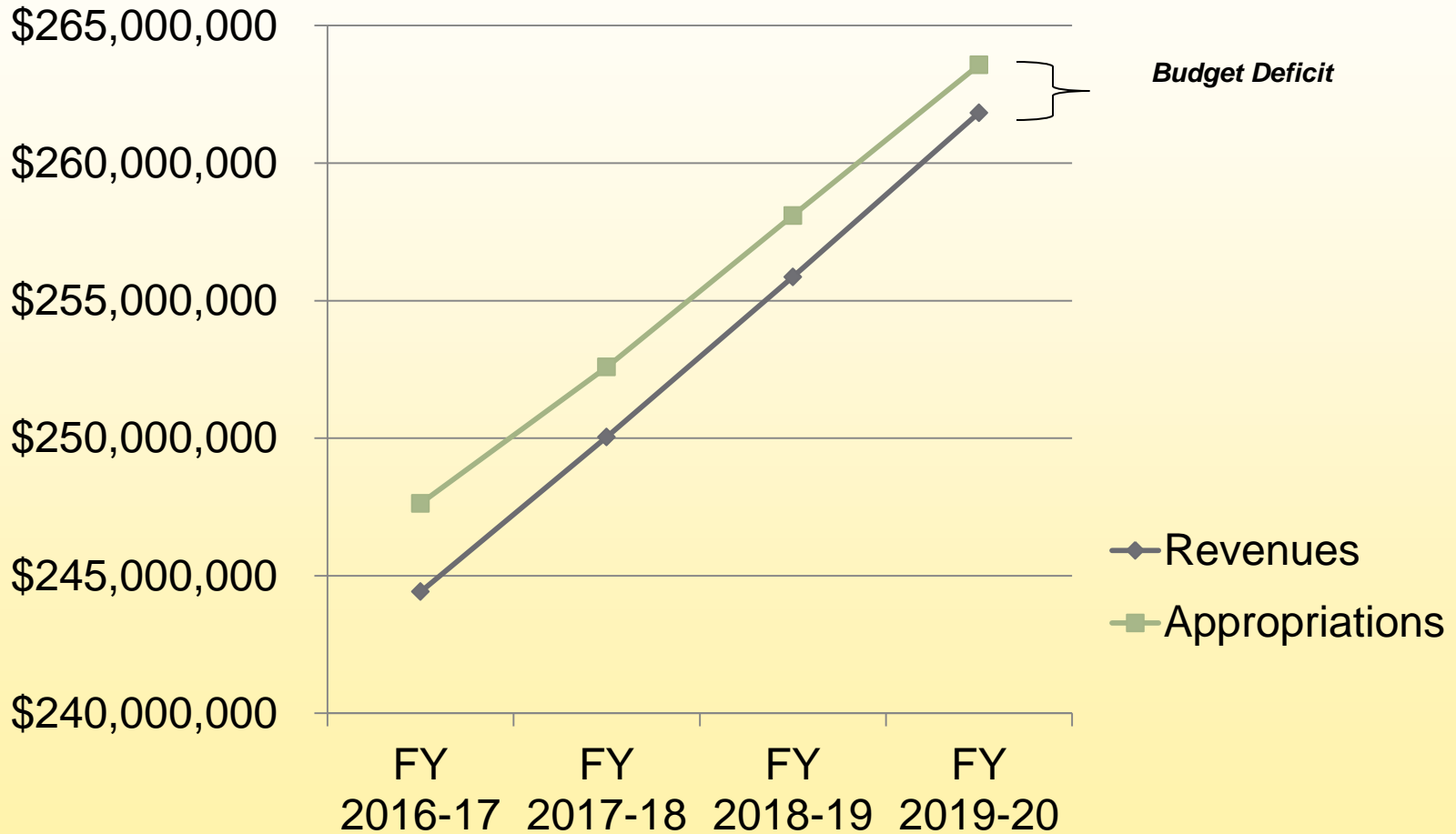
**‘WE HAVE GONE THIS LONG
WITHOUT ADDRESSING
OUR FACILITY NEEDS,
WHY CAN’T WE JUST HOLD
OFF FOR NOW?’**

Facility Investments

- ADA Issues
 - We are 6 ½ years into a 10 year consent decree to correct accessibility issues identified in a 2008 lawsuit. We have been taking an aggressive approach to identify these issues within County buildings and scope these projects into our CIP. County staff and the Vanir assessment estimates more than \$2M of work remaining.
- Industry standard to determine the required annual maintenance for public facilities is between 2-4% of total replacement value.
 - County total replacement value = \$250,000,000
 - 2% annual maintenance budget = \$5,000,000
 - Currently the County sets aside approximately \$1.2M annually for facilities maintenance

Structurally Balanced Budget

Expenditures= Revenue



Budget Mechanics

- Unspent Capital Improvement appropriations are reflected in Fund Balance rather than being appropriated to a Capital Improvement Fund distorting the amount of fund balance
- Departmental appropriations created increased and erratic GF fund balance
- These issues will begin to be resolved during this budget cycle to provide a more transparent financial picture

DEVIATION FROM THE ACROSS THE BOARD APPROACH

Multifaceted Approach To CAO Recommended Budget

- Review of individual departmental budget resulted in targeted cuts rather than across the board cuts
- Increased Revenue
 - Clerk/Recorder to bring agenda item in May 2015 to increase fees which were adopted roughly 20 years ago
- Transferred or transferring financial responsibility
 - Transfer cost
 - Generate revenue
- Reduced Services & Supplies
 - Chief Administrative Office (Facilities)-reduce utility costs by \$100,000 from BOS directed adherence to BOS policy A-18

Multifaceted Approach To CAO Recommended Budget

- Reduced Salaries & Benefits
 - Chief Administrative Office-eliminated two recently vacated positions
- Reduce contributions to outside agencies
 - 9% reduction to promotions (Chambers and Tourism Agencies)
 - No funding for Fire, CASA, or Marshall
- Seek efficiencies
 - Service delivery model of HHSA Aging Programs

CAO Recommended Budgetary Accomplishments

- Because there is disparity in the existing allocation, the CAO recommended budget looked at department budgets on a case by case basis
- Reduced structural deficit from \$19.1 million to \$8.3 million.
- Reserve fund projected to increase from \$10 million to \$10.9 million
- Contingency fund target is \$6.5 million
 - Ability to achieve target will depend on the amount of fund balance and how quickly efficiencies can be implemented
- CAO Recommended Budget begins alignment of financial resources to draft Strategic Plan priorities

Draft Strategic Plan Framework

Public Safety

Public Infrastructure

Economic Development

Effective Services

Financial Sustainability

Public Safety

61% of discretionary General Fund Revenue
is dedicated to Public Safety

Public Infrastructure

- Land acquisition of Public Safety Facility
 - \$2.6 million
- Courthouse Road
 - \$3.0 million
- Renovation A&B
 - \$10M (\$1.2 of grant funding)
 - ***Still a funding shortfall of \$15 million for planned facility renovations***

Economic Development

- \$1.6M allocated to Economic Development
- With the new Economic Development Manager coming on board May 2015, it is anticipated that FY 15/16 will be dedicated to planning efforts.
- Additional funding will need to be dedicated to Economic Development in FY 16/17 for projects and initiatives.
 - Example: Fee Deferrals
- If increased activity is needed in FY 15/16 funding would need to come from contingency.

Effective Services

- \$200,000 earmarked for Classification and Compensation Study
- Future implementation of the Classification and Compensation Study will be complicated, however the project will provide a foundational document to begin to rectify inequities in classifications and compensation.

Financial Sustainability

- Increased reserve by \$900,000
- Reduced GF structural deficit from \$19.1 million to \$8.3 million
- Draft financial policy is in the process of being reviewed by Budget Ad-Hoc

Budget Deficiencies

- Does not fund or does not adequately fund:
 - Cash out of retiree leave balances
 - Other post employment benefits
 - Fixed asset replacement
 - * Including DOT equipment for emissions compliance
 - Water
 - Fire
 - Future technology needs
 - Facilities
 - Economic Development
 - Contingency
- Unsustainable dependency on reserves
 - Library (Budgeted 57% of fund balance for FY 15/16)
 - Road Fund Reserve- Future sustainability and potential impacts on the GF
- Reduction of Salary & Benefits
 - Financially sustainable sized organization
 - Class & Comp Study
- Cost Plan process can be improved to stabilize revenue

CAO RECOMMENDATION

A MULTI-YEAR METHODOICAL APPROACH TO ACHIEVING A STRUCTURALLY BALANCED BUDGET

Decision Making Based on Quantitative Data

Responsibility of the CAO

Charter Section 304

The Chief Administrative Officer shall be responsible to the Board of Supervisors for the proper and efficient administration of such of the affairs of the county as are or hereafter may be placed in the charge of the Chief Administrative Officer, or under the jurisdiction or control of the Chief Administrative Officer, pursuant to the provisions of this Charter, or of any ordinance, resolution or order of the Board of Supervisors.

Responsibility of the CAO

Charter Section 304

- a. Coordinate the work of all offices and departments, both elective and appointive, and devise ways and means to achieve efficiency and economy in all count operations.

- c. Recommend an annual budget after reviewing requests of all departments and agencies for which the Board is responsible or which request county funds.

Responsibility of the CAO

Charter Section 304

- e. Provide for in-depth analysis and review of all county programs on a regular basis in such a manner that the Board may make policy decisions.
- f. Provide and implement systems of adequate checks and controls to safeguard county money and property.

YOU CAN'T MANAGE

WHAT YOU CAN'T MEASURE

Benchmark, Opportunities & Business Process Redesign

- BOBPR
 - Operational efficiency review of all functional areas of local government
 - Law & Justice
 - General Government
 - Health/Human Services
 - Land Use & Development
- Recommendation
 - CAO staff to conduct a benchmark study of comparative counties to assist in identifying inequities of fiscal allocations, explore enhanced efficiencies and identify cost savings over time in order to attain a structurally balanced budget

Multi- Year Approach

To Achieve A Structurally Balanced Budget

- Revenue
 - Fee Studies
 - Examples-CDA, HHSA, Treasurer/Tax Collector, Clerk/Recorder & Surveyor
 - Proposition 90?
 - Direct discretionary revenue to Strategic Plan priorities
- Efficiencies
 - Consolidation of management
 - Classification Study
 - Automation
 - FENIX, LMIS, Property Tax system etc.
- Reassign General Fund financial responsibilities to other funding streams
 - Public/Private Partnerships

***ANY CHANGES TO THE CAO
RECOMMENDED BUDGET WILL
REQUIRE THE BOS TO EITHER:***

1. REDUCE THE RESERVE,

**2. REDUCE THE CONTINGENCY,
AND/OR**

**3. ELIMINATE OR REDUCE
SERVICE LEVELS IN OTHER
DEPARTMENTS**

CAO Recommendations for Board Approval & Direction

- Seek recommendations from the Auditor as to what immediate steps need to be taken with respect to the significant change in the County's General Fund Cash Balance.
- Adopt the CAO Recommended Budget as submitted on June 1st and delay department presentations until the program inventories are collected, analyzed and recommendations for additional efficiencies are developed.
- Direct the CAO to collaborate with departments and labor to explore more cost effective service delivery models and methods
- Direct the CAO and Human Resources to meet with labor to discuss an approach to reduce salary and benefit costs

QUESTIONS?