PROCESS FOR DEVELOPING BUDGET SCENARIOS

Michelle Casciato, Director
Office of Management & Budget
September 25, 2012
BACKGROUND

- BOCS directive 12-514
- Five Year Plan tax policy
  - Current Five Year Plan envisions tax bill remaining flat – rising only for inflation or estimated at 4% per year
- Directive – “Need to have a discussion as a Board as to where we want to go”
  - Budget scenarios that can inform our decisions
  - Necessary cuts to achieve lower tax bill scenarios
  - Service delivery improvements that could be made if tax bill was higher
- Schools were asked to participate
# Tax Policy Scenario

**What It Would Take to Get to a Balanced Budget**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>FY 14</th>
<th>FY 15</th>
<th>FY 16</th>
<th>FY 17</th>
<th>Five Year Impact</th>
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</thead>
<tbody>
<tr>
<td><strong>5%</strong></td>
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<tr>
<td>County</td>
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<td>$6.2</td>
<td>$9.9</td>
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<tr>
<td>County</td>
<td>$1.2</td>
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<tr>
<td><strong>3.5%</strong></td>
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<tr>
<td>County</td>
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<td>($2.5)</td>
<td>($5.2)</td>
<td>($8.0)</td>
<td>($16.9)</td>
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<td>($10.5)</td>
<td>($22.1)</td>
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<td>Flat Rate @ $1.209</td>
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<tr>
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<tr>
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<td>($4.8)</td>
<td>($5.1)</td>
<td>($3.6)</td>
<td>($16.6)</td>
</tr>
<tr>
<td><strong>3%</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>County</td>
<td>($2.3)</td>
<td>($4.9)</td>
<td>($7.8)</td>
<td>($10.8)</td>
<td>($25.8)</td>
</tr>
<tr>
<td>Schools</td>
<td>($3.1)</td>
<td>($6.4)</td>
<td>($10.2)</td>
<td>($14.2)</td>
<td>($33.9)</td>
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<tr>
<td>Flat Bill @ $3,303</td>
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<tr>
<td>County</td>
<td>($9.1)</td>
<td>($19.0)</td>
<td>($29.7)</td>
<td>($40.9)</td>
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<td>Schools</td>
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<td>($38.9)</td>
<td>($53.6)</td>
<td>($129.5)</td>
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</tbody>
</table>

All numbers expressed in millions
BOCS Policy Guidance for Scenarios

- Maintain revenue sharing with Schools at 56.75%
- Maintain Strategic Plan priorities
  - Economic development, transportation, public safety
- Use risk score for all operating priorities
-AAA ratings to be maintained
- Don’t automatically replace federal/state cuts
- Identify critical unmet needs
UNDERLYING ASSUMPTIONS

- FY 2013-2017 Five Year Plan
  - Base document
- Adopted FY 2013 Budget
  - Base for going forward
- Tax Policy Scenarios
  - Same percentage or rate carried forward each year for FY 2014-2017
Helping the BOCS and community “have a discussion about where we want to go”

- Staff will provide quantitative and qualitative information
- BOCS/Community will be given wide range of “choices” to consider
- BOCS/Community will be given list of unmet needs
HOW AGENCY BUDGETS ARE ORGANIZED

- BOCS adopts outcome (performance) budget
  ◆ Funding is linked to desired outcomes for the community
  ◆ Outcomes are the desired result of a series of programs, activities, projects and initiatives

- Department budgets organized around programs
  ◆ Program is a group of activities that together achieve a specific purpose/set of outcomes

- Activities exist within programs
  ◆ Allow for more detailed analysis
Responding to BOCS Directive

What You Will See On 10/2

- Qualitative information shown for each agency
  - Program/activity risk score
  - Programs/activities mandated by the Federal or state governments
  - Any contractual obligations/inter-jurisdictional agreements
  - Programs/activities that support AAA ratings
  - Programs/activities that represent local “choices” for the community to fund
  - Impacts of decision to defund these “choices”
  - Unmet critical needs
Quantitative information shown for each agency

- Net FY 13 general fund program/activity costs
- FY 07-11 net budget cuts – restored funding not included
- BOCS/community policy choices
  - We will show how much the tax rate can be reduced for each program or activity if it is defunded
    - Based on FY 13 adopted rate of $1.209
- Necessary reduction in Schools revenue for each choice based on County/Schools revenue agreement
RISK ASSESSMENT

- All activities ranked on four scales from 1-5
- Scoring range 4-20
- Three scales for all activities
  - Financial
  - Legal
  - Community
- Final scale based on community or internal customer
  - Individual
  - Preservation of Core
3 Risk Scales for All Activities

Risk to Community
- Inconvenience
- Nuisance
- Continuity of Government Property/Resource
- Critical systems - Water
- - Electricity
- - Transportation
- Life Safety/Individual
- Life Safety/Potential Multiple Loss of Life

Financial Risk
- Inefficiency
- Inadequate Controls
- Failure of Internal Controls and Loss of Revenue or Resource
- Loss of Multiple Capital Assets, Major Revenue Loss, Downgraded Bond Rating Or Major Loss of Tax Base
- Insolvency

Legal Risk
- Citizen Dissatisfaction/Lawsuit Threat
- Lawsuit/Litigation Costs/County Wins
- Lawsuit/County Loses/Compensatory Damages/and or Court Order
- Lawsuit/County Loses/Punitive Damages
- Receivership/Court Supervision of BOCS Actions
- Insolvency
Service Delivery Scale

Risk to Individual
- Dissatisfaction
- Inconvenience
- Loss of value/Financial
- Independence
- Quality of Life
- Insolvency
- Disability
- Death

Preservation of Core
- Inconsistent policy
- Application
- Degradation of
- Service to
- Customers
- Unable to Maintain
- Internal Control
- Environment
- Failure to Meet
- Obligations
- Loss of Assets
## Risk Scoring - Examples

<table>
<thead>
<tr>
<th>Child Protective Services</th>
<th>Bluebird Bus</th>
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<tbody>
<tr>
<td>Risk to Community</td>
<td>Risk to Community</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Legal Risk</td>
<td>Legal Risk</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Financial Risk</td>
<td>Financial Risk</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Risk to Individual</td>
<td>Preservation of Core</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
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</table>

Score 19  
Score 4
### Risk Scoring - Examples

<table>
<thead>
<tr>
<th>County Vehicle Maintenance</th>
<th>Capital Project Debt Not Yet Issued</th>
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<tbody>
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<td>Risk to Community</td>
<td>Risk to Community</td>
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<tr>
<td>Legal Risk</td>
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<table>
<thead>
<tr>
<th></th>
<th>Score</th>
<th></th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Vehicle Maintenance</td>
<td>17</td>
<td>Capital Project Debt Not Yet Issued</td>
<td>4</td>
</tr>
</tbody>
</table>
Unmet Critical Needs

- Identified by department directors
- Performance measures
- FY 14 cost, Five Year Plan cost, other sources of revenue

Criteria

- Potential failure of state or federal audits
- Existing potential liability/safety issue
- Not meeting mandated levels of service for high risk activity
- Not meeting mandated levels of service
- Lack of staff capacity creates temporary closures
- Sunset provision in play
- Not meeting professional standards
- Currently providing inefficient service
WHAT YOU WILL SEE NEXT WEEK

- Department
  - Mandatory activities
  - Activities that support strategic plan outcomes or AAA ratings
  - Interjurisdictional Agreements
  - CXO Recommendation for Continued Funding
  - Choices

<table>
<thead>
<tr>
<th>BOCS/Community Choices</th>
<th>Risk Score</th>
<th>County Net General Fund Support</th>
<th>Tax Rate Equivalent</th>
<th>Schools Equivalent Cut</th>
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<tbody>
<tr>
<td>Description</td>
<td>#</td>
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<td>$0.00XX</td>
<td>$XX,XXX</td>
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