

Framing the FY 08 Budget Process

A. Background

The Commissioners Court supports its overall policy, mission and goals through the annual budget process. The following is an overview of critical budget issues that the Commissioners Court wishes to address and an outline of the likely fiscal environment within which the budget will be developed.

The Commissioners Court will retain its historical commitment to a wide variety of County services and programs, including maintaining its infrastructure (roads, facilities, parks, and technology), providing appropriate law enforcement and justice support to County residents, addressing various social ills (such as child abuse, truancy, domestic violence, or achieving self-sufficiency), continuing to support efficiencies in general government services, and helping to ensure that emergency functions are funded (medical, fire and public safety). However, these guidelines represent the Court's intention to encourage and focus increased attention on producing better results and having greater impact on certain troubling societal challenges that cut across so much of the County's enterprise.

B. Three Priority Program Areas

While Travis County is making strides in meeting and sustaining a variety of goals, there are areas that are proving to be difficult to address comprehensively on an annual, project-oriented basis. These issue areas are often considered intractable because they are driven by specific societal ills such as substance abuse, mental health, and poverty. The Commissioners Court believes that these issue areas need to be highlighted and addressed using long-term solutions. These issues decrease the quality of life of our citizens and cost the economy and taxpayers of Travis County not only the direct expense of dealing with them (such as the costs of incarceration) but also the indirect cost of losing a portion of our human capital from the workforce.

Many of these social ills are at the root cause of crime and other community problems. They result in adults and juveniles becoming involved with the County's justice and public safety system, and are major cost drivers. Over 60% of all County departmental General Fund budgets has been dedicated to the County's courts, clerks and support services, law enforcement, prosecutors, jails, and juvenile justice. This means that programs that are able to impact the workload and services provided in these areas should have a substantial financial impact, along with substantial social and community benefits.

For Fiscal Year 2008, the Commissioners Court is again interested in receiving proposals from officials and department heads that direct resources toward one or more of the following three Priority Program areas:

- Reducing Adult Jail and Juvenile Detention Populations, with special attention toward inmates with mental illness.
- Substance Abuse
- Workforce Development (adult training and new jobs)

The Commissioners Court continues to identify these three Priority Program areas as the County's main priorities during at least FY 08 and FY 09. The solutions to these problems are not simplistic and will require multiple years to make a significant and measurable impact. As a result, the Commissioners Court directs the Planning and Budget Office (PBO) to provide such proposals priority in the FY 08 Preliminary Budget if they meet the standards outlined in Attachment A. Should proposals not fully meet these standards, they may be broken down

into two phases. The first phase would be a pilot in order to test the proposal more fully, and the second phase would be dependent on the results of the pilot.

C. Compensation & Benefits

For planning purposes, these guidelines suggest that the Planning and Budget Office should endeavor to include a 3 ½% to 4% Compensation Reserve for rank and file employees in the FY 08 Preliminary Budget, assuming that resources are available. The specific use of such resources would be determined during the FY 08 budget process (such as performance based pay, COLA, compression, green circled, or other increases). The initial magnitude and characteristics of rank and file compensation increases should be made by June, 2007. This schedule will allow the elected officials salary process to proceed in July, rather than having determinations about the elected officials salaries made prior to rank and file compensation decisions. The cost of a 4% Compensation Reserve is approximately \$5.4 million.

The Peace Officer Pay Scale has an approved step increase, which is also called an "Anniversary Raise". This increase is budgeted at 2%. Another 1 ½% to 2% Compensation Reserve for POPS employees should also be included in the Preliminary Budget if resources are available. These two increases would bring the overall increases for POPS employees to 3 ½% to 4% (comparable to rank and file employees). A 4% increase will cost an additional \$2.0 million. The specific use of such resources would be determined during the FY 08 budget process (such as changing the pay scale, add pay, or other increases) .

Comments from any employee groups will be welcomed at anytime, but should be provided no later than during an employee public hearing in June.

A 3% Cost of Living Adjustment for retirees should also be assumed for the Preliminary Budget.

Health Benefits have seen very significant increases since FY 02, going from an Employee Health Fund of \$18.3 million in FY 02 to \$64.4 million in FY 07. These increases have had to be absorbed by the General Fund along with increased employee contributions. While it is still early to know the amount of health care cost increases, for planning purposes, these budget guidelines again suggest that any incremental increases in health care costs be shared by Travis County and the active and retired employees. The Commissioners Court would like to ensure that the reserves in this fund are at an appropriate level, and that policies are established for their size and purpose. It will be appropriate to redirect over time any excess reserves for other compensation or benefits purposes.

D. The Tax Rate for the Preliminary Budget

The Court's adopted goal is for the tax rate in the Preliminary Budget to be "at or near the Effective Tax Rate".

E. Limitation on General Fund Growth

The General Fund has been growing at a rate that is much greater than the growth in population and inflation. The General Fund grew from \$361.9 million to \$400.8 million between FY 06 and FY 07, an increase of 10.7%. In light of this, the Commissioners Court has instructed the Planning and Budget Office to limit the size of the General Fund growth in the FY 08 Preliminary Budget to between 3 ½% to 4% above the FY 07 General Fund budget, excluding any growth that is directly related to the generation of additional non-tax revenue.

E. New FTE and Program Expansions in the Preliminary Budget

The Commissioners Court is concerned over the growth of County government over time. Approximately 180 net FTE were added to the FY 07 budget in a wide variety of County departments. Therefore, in the FY 08 budget the Commissioners Court will be hardpressed and disinclined to consider requests for new FTE except under the most compelling of circumstances. All County officials are urged not to ask for additional FTE and to live within their existing resources.

PBO may recommend new FTE's or program expansions within the three Priority Program areas along with other FTE when they are: (a) covered by new revenue, (b) internally funded through reprioritizing existing programs or resources, (c) part of a prior Court-approved program, or (d) a statutory mandate. PBO may also recommend other FTE that meet extraordinary and compelling needs. In order to provide some guidance as to what is an "extraordinary and compelling need", PBO is instructed to only consider those needs where: (a) the health or safety of the public or county employees would be measurably and demonstrably endangered; (b) the need is of an emergency nature; (c) the need cannot be feasibly deferred for a year; and/or (d) a significant workload increase can be measured or demonstrated involving a substantial public requirement that would result in unacceptable service failures or degradations if not funded. Departments are encouraged to reprioritize existing resources to meet new needs. If specific County-owned or leased space cannot be identified and costs estimated for a proposed program or FTE increase, then PBO will not recommend such a program or FTE in the Preliminary Budget. (Please see Section "J" below for details).

F. Budget Criteria for FY 07 Information Technology Requests

Priority will be provided in the FY 07 budget to those information technology budget requests that clearly identify what county programmatic issue the proposed technology is to address and how it meets criteria that are included as Attachment B.

G. Budget Submissions

Budget submissions will be due on April 30, 2007. Departments need to submit their budgets at the base Target Budget Level, representing the department's FY 07 Adopted Budget plus any annualized County-wide FY 07 increases, less any one-time costs, plus any adjustments for errors. All FY 08 compensation and benefits increases will be addressed centrally. If departments submit their budget above their Budget Target, then PBO will take the necessary steps to reduce the submittal to meet the Budget Target.

H. Internal Reallocations and Priorities

The Commissioners Court encourages departmental officials and managers to evaluate current programs that are not producing satisfactory results and to identify funds that may be redirected into other programs in their department that may produce better results.

Departments are strongly encouraged to: (a) submit realistic opportunities to increase non-property tax revenue; (b) work with all applicable departments in the development of any budget or revenue generating proposals; and (c) focus on efficiencies, increased productivity, and simplification rather than on budget requests for increased resources. If new programmatic needs emerge, departments should concentrate on identifying internal reductions for activities that are not statutorily required or service levels that are above minimum levels required by law.

The requirement to fund any new contractual or statutory obligations and other expenses related to maintaining a department's current efforts must take priority over any program enhancements or expansions.

I. Unspent Balances, Salary Savings, and Zero-Based Line Items

PBO is instructed to review the last three years of unspent operating budgets that are reasonable to reduce without substantially affecting service levels. PBO is also instructed to ensure that the budget for salary savings Countywide is as realistic and accurate as possible, and aligned with departments' vacancy trends. The purpose of this exercise is to result in budgets that are "right-sized", while still meeting service level demands and obligations. Departments will have an opportunity to request the replacement of some or all of any reduced budgets through a specific budget request.

Certain critical line items should be built from the ground-up ("zero-based"), such as leases, maintenance contracts, consulting, and contributions to grants. Other line items to be zero-based may be identified as the budget process matures.

J. Space

If specific County-owned or leased space cannot be identified and costs estimated for a proposed program or FTE increase, then PBO will not recommend such a program or FTE in the Preliminary Budget. No FTE increases will be recommended without specific space available or without a specific, fully costed plan for obtaining the space. And if no space is available, the request will likely be deferred until space can be secured. It will be the responsibility of the department to work with Facilities Management well in advance of submitting a budget request to identify feasible space for a proposal before making a request for funds.

K. Security Requests

Departments that wish to request funds for improved security must submit their request to the Travis County Security Committee for review. Such requests should also be sent to the Planning and Budget Office at the same time. If departments wish, they may submit security requests before the April 30 deadline to provide sufficient time for the Security Committee to review. PBO will rely on the Security Committee recommendations and available funds to determine what requests may be included in the Preliminary Budget

L. Budget Hearing Back-up (Summary of "Pros and Cons")

Departments are asked to provide a short summary of pros and cons for each budget request, which will become part of PBO's write-up for the Budget Request. The Court asks that such pros and cons and PBO observations be provided as back-up to the Budget Hearing.

The Commissioners Court needs a good summary of the request and an understanding of its full implications in order to provide a fair assessment during the budget process in light of available resources. The Court does not wish to receive any back-up materials just before or during the Budget Hearings themselves and does not wish to consider such late, unreviewed back-up. Therefore, all final back-up for Budget Hearings must be provided to the Commissioners Court through the Planning and Budget Office at least seven days before each hearing. No supplementary back-up should be provided and will not be accepted after this deadline. If final back-up is not provided within this deadline, then PBO will not be able to participate in the Budget Hearing. The Commissioners Court has decided that it will not conduct a Budget

Hearing without PBO involved. Therefore, if this deadline for final back-up is not met, then the Budget Hearing will need to be postponed until back-up is available. If there is no time to reschedule, then the Budget Hearing will be deferred until the FY 09 budget process.

All unverified and unreviewed Budget Requests submitted after the April 30 and other budget deadlines will be separately identified and highlighted as such during the Budget Mark-up process so the Commissioners Court is made fully aware of their status.

M. Conglomerate Requests

Departments will sometimes submit one large budget request that has a variety of component parts (e.g., one multi-million dollar "Maintenance of Current Effort" request involving multiple components that may have little programmatic relationship to one another). Departments are asked to break down such requests into logical component parts, so they may be considered separately. In the event this does not occur, the Planning and Budget Office is asked to do so for the Commissioners Court and then inform the department of how the one large request was segmented.

N. Non-County Requests

All budget requests are due on April 30. All county departments and offices are asked to advise any related community groups, employee groups, or other governmental or local agencies of the County's budget process and schedule. In the event such a non-County entity requests funding from the County budget, then such a request will need to be coordinated through the relevant County office, submitted as part of the office's budget proposal, and prioritized along with all other requests from that office. In the event that such coordination does not occur, then the County official who is either working on or cognizant of such a project should inform the Commissioners Court as soon as possible but preferably no later than July 15.

Approved by the Travis County Commissioners Court on Tuesday, January 30, 2007

ATTACHMENT A

Successful Budget Proposals for Priority Program Areas Should Contain the Following Elements:

- a. **External Evaluations** – An external evaluation to independently report results to the Commissioners Court. An agreement from appropriate officials that the program will be discontinued if the results do not meet predetermined targets. A roadmap and calendar indicating when outcomes are expected and what degree of improvement is expected. In the event that unforeseen circumstances occur that make the predetermined targets impossible to meet, or if it becomes apparent that such targets are actually inappropriate measurements of program success, then a new set of targets will be developed in consultation with the official(s).
- b. **Performance & Outcome Measurement** – An identification of how the performance and outcome measurement will be reported. For example, a proposal to reduce recidivism in the jail will need to have recidivism defined and reported regularly. Otherwise, there will not be a way to know how well a proposal works and how its results compare to others. Measurements should focus on outcomes and results, rather than workload. Knowing what works is usually much more important than just knowing how much work is occurring.
- c. **Redirect Existing Resources** – An identification of existing resources elsewhere that can be realistically redirected within the justice and public safety area. These resources may be realized through ceasing or reducing an existing program that is not meeting expectations, or through increased efficiencies.
- d. **High Likelihood of Success** – A delineation of the likelihood or probability of success in reaching the goals and results established within the proposal.
- e. **Comparative Analyses** - A summary of the existing inventory of programs that attempt to accomplish similar ends. It should provide a description and documentation of how this particular proposal will address the issue area more effectively than other existing programs.
- f. **Criticality of need** – A clear indication of the criticality of the need, and the magnitude of impact on the community.
- g. **Collaboration** – A summary of the collaboration and coordination that has occurred among agencies that provide similar services or that have programs that are programmatically linked to the proposal. Non-County agencies need to coordinate their proposals with an appropriate County official and be submitted as part of the official's FY 06 budget.
- h. **Client Commitment** – an outline of the degree to which client commitment and personal responsibility are evidenced.
- i. **Matching Funds**. PBO is directed to give priority to proposals that meet the standards above and that use matching funds to leverage county resources with federal, state, and private sector resources.

ATTACHMENT B

Elements to Include in Requests for Information Technology

1. Requests for Information Technology Maintenance of Current Effort

- a. To maintain the existing technological infrastructure and/or to accommodate growth in existing system requirements (such as additional servers or memory).

- b. For technological obligations that are outside of the County's control, such as hardware or software that is no longer supported, software changes, contractually required upgrades, changes in statutory requirements, changes in accounting standards or some other external factor.

2. Requests for New Information Technology

- a. For new technology requests, there should be a measurable demonstration that such technology will result in at least one of the following outcomes:
 1. reduced staff;
 2. measurably increases the productivity of existing staff;
 3. the ability to accommodate increased workload without new staff positions;
 4. compliance with a new statutory requirement or other mandated technological obligation outside the County's control;
 5. provide analysis and management information which measurably improves the decision making process and fiscal management in program areas;
 6. measurably improves the delivery of services or use of existing assets for constituents and the public;
 7. improves public safety and/or the protection of county natural resources.

- b. A technical and business assessment should be made as to what the new technology will accomplish and whether the proposed solution is the best value for the taxpayer's dollar. This evaluation should be conducted jointly by the requestor, PBO and ITS with coordination of the Business Assessment being the responsibility of PBO, or by an independent consultant if the proposal is highly complex or expensive. In addition any Technology Requests that involve financial transactions must be reviewed and approved by the Auditor. This Business Assessment should include the following criteria:
 1. A clear and detailed understanding about whether additional staff or new internal procedures or protocols are required within the department(s) to operate or maintain the system, along with a description of the impact on the operating conditions and protocols/procedures within the office(s). These impacts should be defined, or demonstrated and compared to the benefits derived from the technology.

 2. An outline of future impacts due to the proposed technology in future years – that is, will there be an increase in FTE in the short run and then a decrease, or vice versa? Will there be overtime required or temporary assistance required over the period of time of implementation and beyond? Will additional staff or resources be required in ITS in order to implement the system? What are the ongoing costs for licenses and how often will the technology need upgrading?

This information is critical to accurately gauge the benefits and costs of a new technology.

3. If a technology request can not comply with (1) and (2) above then the Technology Request may be broken into two phases. The first phase will be defined as a Project Definition phase where the analysis required in (1) and (2) above is determined. Funding for the second phase would depend on the approval of the results defined in phase one.

The ability to describe how an Information Technology Budget Request meets the aforementioned criteria will greatly increase the likelihood of a request's inclusion in the Preliminary Budget. Success will also be dependent upon early identification of potential requests and submitting them to ITS and PBO well ahead of the regular Budget Process cycle.