

Framing the FY 09 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, and 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 disorders, 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 indirect cost of losing a portion of our human capital from the workforce, but also the direct expense of dealing with them (such as the costs of incarceration).

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 court 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 2009, 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 09 and FY 10. The solutions to these problems are not simple 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 09 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% to 4% Compensation Reserve for rank and file employees in the FY 09 Preliminary Budget, assuming that resources are available. This amount may need to be modified, depending upon the magnitude of other compensation increases such as the results on an upcoming Market Salary Survey that the Commissioners Court committed to fund in FY 09. This survey will review a number of job families including those in the courts system and information technology. The cost of the study is unknown at this time, but the initial magnitude and characteristics of this study and the characteristics of rank and file compensation should be made known by June 2008. Specific decisions will need to be made on allocation of compensation resources and could include performance based pay, COLA, compression, green circle, or other increases.

As in previous years, the Citizens Advisory Committee on Elected Officials' Salaries reviewed the full complement of elected officials' salaries in FY 08. This Committee typically has made such recommendations on an annual basis. Rather than have another full review of every elected official's salary again in FY 09, the Commissioners Court expects to award elected officials salary increases that match the increases provided to rank and file employees to the greatest extent feasible. The Citizens Advisory Committee then will be asked to make a full review of every elected officials' salary during the FY 10 budget process.

The Peace Officer Pay Scale (POPS) has been stabilized through at least FY 10 for staff in the Travis County Sheriff's Office (TCSO) due to actions that were taken as part of the FY 08 Adopted Budget. Therefore, there should be no expectation of TCSO POPS increases in the FY 09 budget. The vast majority of POPS employees are in TCSO. However, the Commissioners Court has approved the 2008 review of compensation for non-TCSO POPS employees. The impact and cost of this study will be available for the FY 09 budget process. In addition, the approved step increases for all eligible POPS employees will be included in the Compensation Reserve in the Preliminary Budget as in past years. Please note that the second half of the FY 08 POPS Anniversary Raise is within the FY 09 Budget Targets.

The initial magnitude and characteristics of rank and file compensation increases should be determined by June 2008. 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 3% to 4% Compensation Reserve is between \$5.0 million and \$6.6 million, including rank and file and the POPS Anniversary Raise.

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 were stabilized in the FY 08 budget and it is still unclear whether there will need to be General Fund increases budgeted in the Employee Health Fund. The reserves in this fund continue to be higher than required, and should be sufficient to accommodate

reasonably modest increases in costs, although it may be necessary to once again share cost increases between Travis County and the active and retired employees. Reducing some portion of the transfer from the General Fund to the Employee Health Fund is a technique for reducing the magnitude of the one-time surplus reserve in the Employee Health Fund. Establishing a special Reserve for Economic Downturn through this reduction in this General Fund transfer will provide a cushion for the challenges that may face the county in FY 10 and will allow for increased flexibility in future years since these resources will be located within the General Fund.

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". A tax rate within 3% to 4% of the Effective Tax Rate should be considered "near" for the purpose of the Preliminary Budget.

E. New FTE and Program Expansions in the Preliminary Budget

Members of the Commissioners Court have expressed concern about the growth of County government over time. Approximately 86 net FTE were added to the FY 08 budget in a variety of County departments. Therefore, in the FY 09 budget the Commissioners Court will be hard-pressed 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 09 Information Technology Requests

Priority will be provided in the FY 09 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 in Attachment B.

G. Budget Submissions

Budget submissions will be due on April 28, 2008. Departments need to submit their budgets at the base Target Budget Level, representing the department's FY 08 Adopted Budget plus any annualized County-wide FY 08 increases, less any one-time costs, plus any adjustments for errors. All FY 09 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 Countywide budget for salary savings is as realistic and accurate as possible, and aligned with departments' vacancy trends. The purpose of this exercise is to have budgets that are "right-sized" to meet 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. 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 with copies to the Planning and Budget Office no later than April 28. If departments wish, they may submit security requests before the April 28 deadline to provide sufficient time for the Security Committee to complete a review. PBO will rely on the Security Committee recommendations and available funds to determine what requests may be included in the Preliminary Budget. The Security Committee will be asked to present its preliminary security recommendations to the Commissioners Court for specific

direction in an executive session discussion in late June. This will allow the Preliminary Budget to include such recommendations as acted upon by the Commissioners Court.

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, un-reviewed 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 be postponed until back-up is available. If there is no time to reschedule, then the Budget Hearing will be deferred until the FY 10 budget process.

All unverified and unreviewed Budget Requests submitted after the April 28 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 28. 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, February 26, 2008

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 09 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

Must be Either:

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