



2021 Budget Guidance Discussion

Board of County Commissioners Study Session

June 16, 2020

2021 Budget Calendar Overview

- July 1st – Budget submission process begins
- August 5th – Budget submission deadline
- September 9-11th – Executive Budget Committee mtgs.
- October 13th – Recommended budget to BOCC
- October 20th – EBC 2021 Budget presentation to BOCC
- December 8th – Adoption of 2021 budget

Revenue Outlook

- Property tax revenue growth expected to continue but at a slower rate than for 2020 or 2019
- 2020 is not a reappraisal year nor will there be any change in the residential assessment rate
 - Impacts of downturn are likely for 2021 reappraisal and setting of RAR (unless passage of repeal)
- Projecting new construction of about 1.0-1.2% and inflation of about 1.5-2.0% for a total growth of between 2.5% and 3.2%
 - Inflation rate has dropped since earlier projections as a result of COVID economic impact
- Revenue for 2021 projected at \$144.5 million, up \$4.0-\$4.5 million from 2020.

Revenue Outlook

- Impact of COVID-19 and related downturn on other revenues is not yet certain (delay in data, economic recovery timeframe not known yet)
- Expecting some revenues to be impacted negatively – those related to new vehicle sales, sales and use tax
 - Est. 15% decline in sales/use tax for '20, rebound in '21?
- Some revenues are doing well despite downturn – building permits, land recording fees
- Interest earnings holding firm based on timing of investments rather than recent changes in rates
- Uncertainty in State and Federal funding going forward – some have remained the same but have also seen/heard of declines (HUTF, AD Works!)
- Will there be additional Federal stimulus for local gov't?

Expenditure Outlook

- **Growth in salaries and benefits are generally the largest additions to the annual budget**
 - Economic downturn will likely impact both merit increases as well as the overall market salaries
 - Expecting increase in medical insurance premiums but capped
 - Application of vacancy savings is a large factor in being able to fit salary and benefit costs into the budget
- **Prior year budgets have seen an increase in FTE requests to keep pace with growing workloads**
 - Yet to be seen if COVID aftermath will result in more online/remote services and drive down need for staffing
- **Economic downturn may slow the inflation in the cost of supplies, materials, equipment, and labor that has been reducing the County budget's buying power**
- **Continue to see increases in the cost of insurance premiums for liability and worker's compensation**

Expenditure Outlook

General Fund Projections										
(Dollars in Millions)	Actual	Adopted	Amend.	Proj.	Forecast					
	2019	2020	2020	2020	2021	2022	2023	2024	2025	
Total Revenue	203.7	201.1	202.0	199.6	205.2	209.7	215.6	220.8	227.1	
Expenditures	197.1	209.9	213.1	207.5	206.4	208.9	214.2	222.5	227.6	
Other Adjustments					0.1					
Total Expenditures										
Net										

Social Services Fund Projection										
(Dollars in Millions)	Actual	Adopted	Amend.	Proj.	Forecast					
	2019	2020	2020	2020	2021	2022	2023	2024	2025	
Total Revenue	63.9	71.2	71.2	69.0	68.8	71.5	74.2	77.0	80.0	
Expenditures	64.0	72.7	72.9	69.1	70.8	72.6	75.2	78.0	80.8	
Other Adjustments	-	-	-	-	-	-	-	-	-	
Board Designated Reserve										78.0 80.8

Road & Bridge Fund Projections										
(Dollars in Millions)	Actual	Adopted	Amend.	Proj.	Forecast					
	2019	2020	2020	2020	2021	2022	2023	2024	2025	
Total Revenue	17.6	15.7	15.7	15.5	15.7	15.6	15.9	15.9	15.9	5.5 4.5
Expenditures	16.4	17.3	17.8	17.1	16.8	16.7	16.9	17.1	17.3	(1.0) (0.9)
Other Adjustments	-	-	-	-	-	-	-	-	-	4.5 3.6
Total Expenditures	16.4	17.3	17.8	17.1	16.8	16.7	16.9	17.1	17.3	(2.6) (2.7)
Net	1.1	(1.5)	(2.1)	(1.6)	(1.2)	(1.0)	(1.0)	(1.2)	(1.3)	1.9 0.9
Beginning Fund Balance	4.2	5.3	5.3	5.3	3.7	2.5	1.5	0.5	(0.7)	
Change in Fund Balance	1.1	(1.5)	(2.1)	(1.6)	(1.2)	(1.0)	(1.0)	(1.2)	(1.3)	
Ending Fund Balance	5.3	3.8	3.2	3.7	2.5	1.5	0.5	(0.7)	(2.0)	
Restrict/Commit/Assigned	(2.7)	(2.9)	(3.0)	(2.9)	(2.8)	(2.8)	(2.8)	(2.8)	(2.9)	
Funds Avail. for Approp.	2.5	0.9	0.2	0.8	(0.3)	(1.3)	(2.3)	(3.5)	(4.9)	

Expenditure Outlook

- **Quick budget facts:**
 - 1% increase in local growth = \$1.4M in prop. tax revenue
 - 1% increase in salaries = \$1.1 million
 - 1% increase in health insurance = \$115,000
- **Key areas for 2021 budget focus:**
 - Availability of funds in the General Fund to provide for Total Compensation as well as some budget packages
 - Road & Bridge Fund budget will probably need to be reduced to allow fund to remain above the policy reserve
 - County match requirements in the Social Services Fund after expiration of Managed Care savings and other reserves – how much fund balance use in 2021?
 - Preserving \$50 million General Fund balance and the relationship to the transfer of fund balance to the Capital Expenditure Fund

Overall Outlook

- Forecast going forward is uncertain at this point.
- 2021 budget process and result will not look like 2020 with many packages approved with additional expenses and staffing.
- At same time, downturn for the County does not appear to be significant enough to warrant significant budget reductions either.
- Result is likely in between with minimal and/or modest budget packages focused on needs

Overall Budget Guidance/ Philosophy

- **Guidance from the past few years:**
 - Achieve a structurally balanced budget.
 - Budgets that are well planned, streamlined, efficient, focus on needs not wants, and provide justifications for changes in the current level of services and/or funding.
 - Request departments and elected offices to look for new ways to maximize efficiencies and evaluate opportunities to reduce operating expenses to facilitate balancing the operating budget.
 - Stress County employees are valued and will continue to evaluate how total compensation recommendations for employee salaries and benefits can be accommodated in the 2021 budget.
- **Continue these for 2021 or modify?**

Overall Budget Guidance/ Philosophy

- Options for 2021 Guidance:
- Are there areas/concepts that you want budget submissions to focus on?
 - Required or mandated increases
 - Mandated services
 - Services that address key goals or objectives
 - Maintaining the current level of service
 - Recovering from the pandemic and/or preparing for future incidents
 - Concepts from the Leadership Workshop or Strategic Planning efforts
- *EBC Recommendation: Include a focus on the service delivery model due to the pandemic – lessons learned, business process changes, new ways of doing things and the savings that was captured.*

Overall Budget Guidance/ Philosophy

- Options for 2021 Guidance (cont.):
- Voluntary Reductions
 - Requested from 2011-2015 and again 2018-2020
 - Request that departments and elected offices take a close look at and evaluate their programs and services and find areas where reductions can be made to limit the growth in operating expenses and submit reductions as part of their 2021 budget.
- Mandatory Reductions
 - Done on an ad hoc basis in some prior years
 - Request that departments and elected offices reduce their budget by a predetermined amount ~ across the board cuts.
- *EBC Recommendation: Include provisions for voluntary reductions as in prior budget years to help balance budget.*

Baseline Budgeting Process

- Budget line items are set at the same level as the prior year plus, or minus, and ongoing changes approved as part of adopted budget packages.
- Continue with baseline budgeting philosophy?
 - Last reset (“zero-base”) of baseline was 2006 and did not have significant impact on reducing base budget amounts
 - Conducting a zero-base budget for 2021 would take a significant amount of work to set up and administer properly
 - Reductions in historically over-budgeted/underspent baseline items (requested 2010-2012)
 - Form of mandatory reduction
 - Reduces ability of departments/offices to manage changes in their budgets – “budget to the bottom line”
- *EBC Recommendation: Think about new business processes from pandemic in evaluating baseline.*

Payroll/Benefit Costs

- **Total Compensation recommendations forthcoming from Human Resources**
 - **Merit Increase History:**
 - 2020: 3.3% merit increase
 - 2019: 3.3% merit increase
 - Merit increase in 2020 budget totaled \$4.2 million
 - **Market Increases:**
 - Adjustments each year for targeted positions – both general classifications and for ACSO step program
 - Large movements every few years – last one in 2019
 - **Step Increases:**
 - Traditionally funded as part of annual budget

Payroll/Benefit Costs

- **Total Compensation recommendations forthcoming from Human Resources (cont.)**
 - **Medical Insurance Rate Increase History:**
 - 2020: 5.5% merit increase
 - 2019: 0.5% increase
 - Rate cap at about 6.0% for 2021 as well
- **Vacancy Savings**
 - 2020: 2.0% for small depts./3.5% for large depts.
 - 2019: 2.0% for small depts./3.25% for large depts.
 - Provides budget reductions of \$5.2 million (\$3.3 in GF)
 - Continue for 2021?
- *EBC Recommendation: Continue with vacancy savings at last year's rates. Consider fiscal situation before deciding to fill vacant positions.*

Budget Package Requests

- **Prior-year Guidance for Budget Packages**
 - Preference that budget packages proposed for new or increased staffing, programs, or services should be accompanied by additional revenue or reductions to the existing operating budget to fund the request.
 - Detailed justifications for budget packages to articulate need and link to County goals and objectives
 - Requested inclusion of a direct linkage between budget package requests and the department's goals, objectives, and those of the core programs and functions will be required for the budget process.
 - No budget packages under \$7,500

Budget Package Requests

- Options for Budget Package Guidance
 - Change preference that departments/offices submit reductions or new revenue in order to fund new budget package requests to a requirement.
 - Request that there are no budget package requests for anything other than requirements or mandates.
 - Focus budget package requests on key priority areas or aligned with BOCC goals
 - Increase the minimum amount for budget package requests to \$25,000 or \$50,000 to limit 2021 requests
- *EBC Recommendation:*
 - *Change preference to requirement that budget packages for new operating expenses be accompanied by reductions in other areas or an increase in revenue.*
 - *No budget packages under \$25,000.*

Capital Improvement Program

- Follow process set up by CIP Committee
 - Projects ranked and prioritized based on criteria
- 2021 budget year is only for updates of 2020-2024 plan – not soliciting new projects
- Will evaluate, prioritize, and recommend a 2021 project plan as well as revise the 5-year program plan
- Additional Guidance for CIP Committee?
 - Prioritize based on existing plan?
 - Emphasis on necessary and urgent capital needs?
 - Target for funding amount for 2021 to reduce amount of the transfer from the General Fund?
- *EBC Recommendation: Refocus CIP on priorities to reduce 2021 project list. Evaluate impact of economy on projects, including partnerships with other gov'ts that may have greatly reduced revenues (e.g. road projects).*

Areas for Special Attention/ Consideration

- Any areas for special consideration?
- For 2020, the budget guidance requested:
 - Elected offices and departments were asked to:
 - Please provide examples of operational efficiencies or business process improvements fully implemented by your department or elected office over the past 2 years and provide an estimate of costs that were reduced or avoided as a result.
 - Please describe current or planned business process improvement or operational efficiency efforts to include an estimate of cost savings or avoidance.
- Thoughts for 2021?
- *EBC Recommendation: Similar to budget guidance, ask depts/offices to evaluate lessons learned from pandemic response especially toward new or improved business processes and any anticipated or actual savings from such changes.*

Next Steps

- Draft budget guidance and circulate to BOCC and EBC for final comments/approval
- Distribute the budget guidance memorandum for 2021 budget process to departments/elected offices
- Prepare 2021 budget training materials for training of staff later in June