

# Lines of Business (LOBs)

March 17, 2015

# Long-Term Forecast: Financial Perspective

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## **CONFRONTING ISSUES**

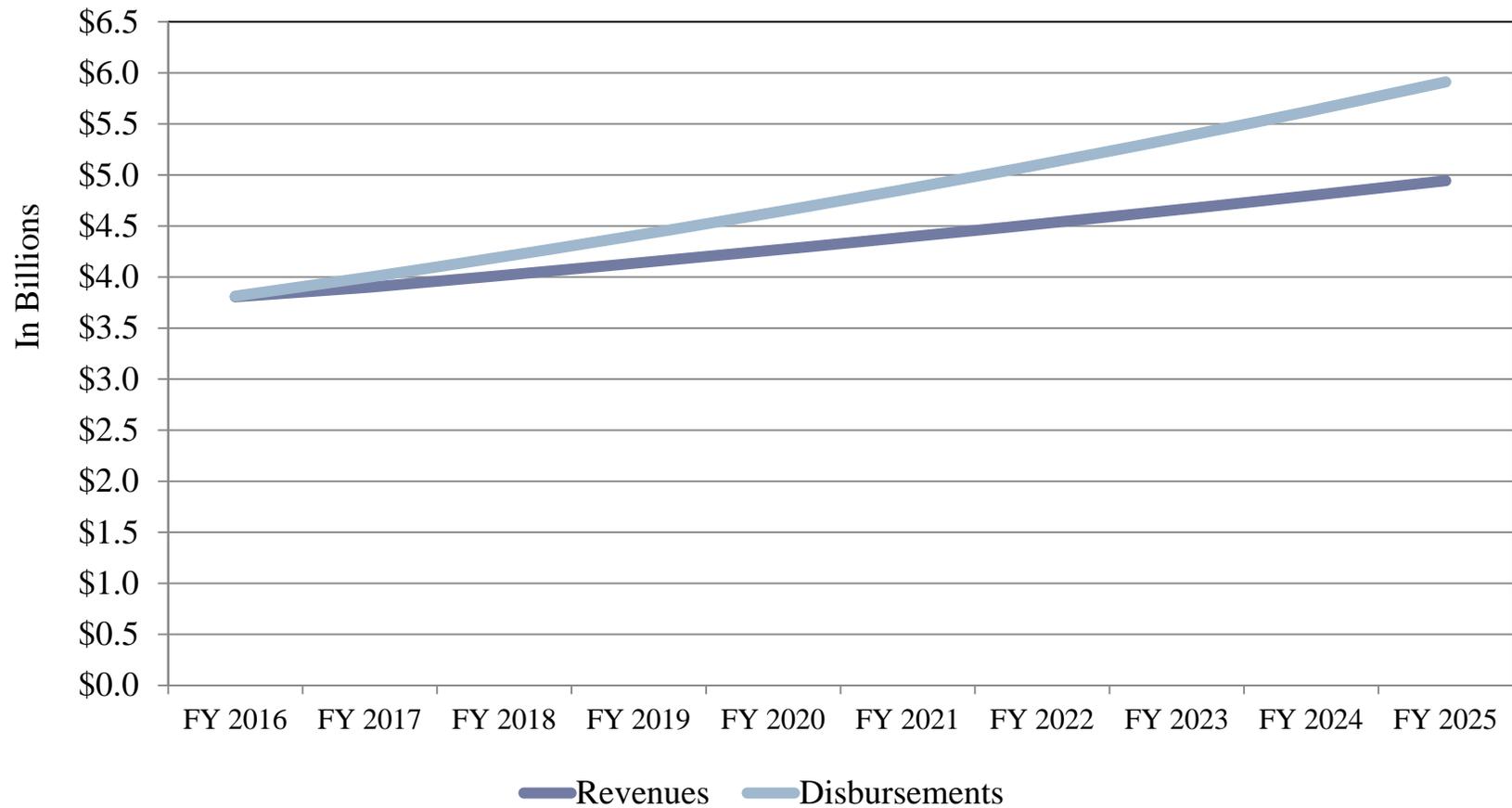
- 1. Revenue problem: very limited growth**
- 2. Too dependent on Real Estate Tax**
  - a. Represents 64% of all revenue
- 3. Basic requirements cost more each year**

## **CONFRONTING ISSUES**

- 4. Sunk costs are significant:**
  - a. Debt Service
  - b. Metro
  - c. Maintenance
- 5. Investments must be made:**
  - a. Schools
  - b. Public Safety staffing
  - c. Compensation and Benefits
  - d. Facilities
  - e. Human Services
  - f. Information Technology

# Projected Revenues and Disbursements

## Projected Revenue and Disbursements



# FY 2017 Forecast

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- ▶ Revenue Growth \$94.5 million
  - ▶ Projected to be 2.48%
- ▶ Spending Requirements \$187.4 million
- ▶ **Projected Shortfall** **(\$92.9 million)**

# FY 2017 Base Requirements

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**FY 2017 Projected Revenues at 2.48%** **\$94.5 million**

▶ **Schools** **\$72.8 million**

- ▶ 3% increase in General Fund Transfer - \$54.75 million
- ▶ Debt Service - \$5.0 million
- ▶ Capital infrastructure requirements - \$13.1 million

▶ **County Debt** **\$13.5 million**

▶ **Compensation** **\$54.2 million**

- ▶ Market Rate Adjustment (MRA) - \$19.8 million
- ▶ Steps/Longevity - \$20.1 million
- ▶ Health Insurance - \$10.5 million
- ▶ Retirement - \$3.8 million

▶ **Maintenance/Transit** **\$9.3 million**

**Total Spending Requirements** **\$149.8 million**

**Projected Shortfall** **(\$55.3) million**

# Revenue Problem

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- ▶ Too dependent on Residential Real Estate
- ▶ Need Commercial Real Estate Assessments to grow
- ▶ Need Sales Tax and Personal Property tax receipts to grow
- ▶ Other revenue sources must be discussed
  - ▶ Meals Tax

# Our Current Budget State

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- ▶ Reductions since FY 2008 total nearly \$300 million and over 700 positions eliminated
- ▶ Agencies are operating at 8% position turnover factor
- ▶ We cannot afford a bad hire; compensation/benefits are critical
- ▶ Succession planning must be emphasized

# Lines of Business Actions

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- ▶ Identify categories, for example:
  - ▶ Core
  - ▶ Mandated
  - ▶ Quality of Life
- ▶ Review metrics
- ▶ Sustainable financial plan to pay for services

# Lines of Business: Summary

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- ▶ Transformational and Multi-Year process
- ▶ Hard decisions will have to be made
- ▶ Not a budget-cutting exercise
- ▶ Identify creative alternative service delivery models
- ▶ Opportunity to build a solid financial services model for the County
- ▶ Will include community involvement

# Lines of Business Committee

# LOBs Committee

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- ▶ In support of this effort, a Committee of 17 employees from across the organization has been designated to spearhead this effort
- ▶ The Committee is not intended to represent every department but instead to provide a wide breadth of experience and expertise in the County to facilitate the discussion and to provide the framework of the process to the County Executive and ultimately to the Board and the community
- ▶ The Committee will not only develop the details of the process but will also serve as a link to the wider County organization to ensure inclusion of all departments
- ▶ In addition the Committee will review agency submissions and provide input to the Department of Management and Budget and the County Executive and Deputies concerning the initial inventory, the prioritization process and how the LOBs are presented to the Board and the community

# Phases

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- ▶ **Identification of LOBs inventory by each Department**

- ▶ Review by Committee and the County Executive to ensure consistency of approach
- ▶ Discussion with departments if refinements to the inventory of LOBS is needed

- ▶ **Preparation of the LOBs documents**

- ▶ The Committee, in coordination with the Department of Management and Budget, will distribute instructions for the preparation of the detailed LOBs
- ▶ Using the FY 2016 Budget as the base, departments will compile the LOB detail to include metrics and explanations of what services are provided

# Phases (continued)

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## ▶ **Evaluation of LOBS**

- ▶ Departments will provide evaluations of how LOBs relate to the County's priorities (as laid out in the Vision Elements)
- ▶ The Committee will also evaluate each LOB and will discuss any discrepancies with the department
- ▶ As a result of the two rounds of evaluations, the Committee will array all LOBs relative to how well they support the County's priorities
- ▶ The County Executive and Deputies will review the evaluations and validate the work of the Committee
- ▶ Depending on the reductions that are necessary to balance the FY 2017 budget the County Executive will make recommendations in his Advertised budget for review and discussion by the Board and Community

# Phases (continued)

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## ▶ **Presentation of LOBS**

- ▶ The Board and the community will be provided with the summary LOBs as compiled by departments for review
- ▶ Presentations will be scheduled to discuss LOBs in detail
- ▶ The community will be provided opportunities to ask questions and react to the LOBs

## ▶ **Decisions of LOBS**

- ▶ As part of the FY 2017 budget decisions the Board will have options available to them
- ▶ Next steps will then be determined

# Timeline

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- ▶ **March:** Inventory reviewed and discussion with Departments occur
- ▶ **April - September:** Departments work on LOBs
- ▶ **October – November:** LOBs reviewed by Committee and then Evaluated by Department and Committee
- ▶ **December 2015 - January 2016:** CEX review and consideration of possible reductions as necessary into the Advertised Budget
- ▶ **January - April 2016:** BOS and community review and BOS decisions