

Cuyahoga County, Ohio

2014-2015

Biennial Budget Overview



Cuyahoga County Executive
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Cuyahoga County Executive
Fiscal Office
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Budget &
Management

Biennial Budget - Strategic Priorities

- **The biennial budget development process was designed to address several strategic goals:**
- Balancing estimated resources with programmatic expenditures
- Support economic development and job creation as defined in the plan for the Western Reserve Fund
- Continue efforts to improve efficiency in county government and direct savings to strategic priorities while using resources in a manner that produces measurable outcomes
- Maintain critical programs and services to protect and support vulnerable populations in Cuyahoga County in spite of loss of local and State revenue
- Improve education for the county's children through continued investment in early childhood programs and through the Cuyahoga County College Savings Account Program

Parameters for 2014-2015 Recommended Budget

The main components of the base budget for 2014-2015 included these assumptions:

- Revenue estimates are based on the trends used to project the 2014-2016 period as of completion of the second quarter review. Modifications to trends where employed were necessary. (See 2014 – 2015 Revenue Assumptions)
- The salary and fringe benefits are based on current levels projected for 2014 and held flat for non-bargaining employees.
- Fringe benefits including health care costs have been held flat from 2013 as a result of lower than expected health care claims. A 3% growth rate is applied to 2015 levels.
- A 2% inflationary parameter was applied to most budgets for operating and service contracts and other expenditure lines.
- Budget lines for service contracts and overhead were held at 2013 estimated levels.
- The current budget estimates include the impact of budget cuts enacted as part of the State FY2012 budget (HB153). In most cases those levels of reduction are held flat after 2014 and beyond
- Additional requests for funding were evaluated separately from the base budget development process and within the context of funding source and budgetary priority.
- **County agencies with self-supporting revenues were limited to budgets that utilized available resources and did not require new or additional General Fund support.**

Base Budget Refinement

The Office of Budget and Management worked with County agencies to review each and every line-item of operating budgets to verify the base budget accurately captures the approved allocation of resources for ongoing programs.

The adjustments are refinements to adjust base budgets to accurately reflect ongoing and currently approved levels of funding.

- Add impact of staffing requests approved in 2013 that were not included in the second quarter projection
- Adjustments to contracts or client services to accurately reflect the ongoing appropriation levels for approved contractual services
- Adjustments to revenue or other operating expenditures to revise the initial base numbers to accurately reflect the approved level of funding for program budgets
- A realignment of appropriation within an agency's divisions or budget categories resulting from an operational decision that took place in 2013 without any overall increase or decrease in the total agency budget

Base Budget Refinement

Additional base adjustments were factored into the initial starting budget, totaling \$24.2 million in 2014 and \$25.6 million 2015

Some of the significant operational adjustments were made to the budgets for:

Board of DD - \$15.9M (*based on Board's budget*)

Health Insurance & Workers Compensation - \$6.9M

Public Safety - \$1.5M

County Sheriff - \$1.3M

Prosecutor \$1.1 M

Public Defender \$429,000

Facilities Management (space costs) – (\$1.9M)

Fiscal Office – (\$1.5M)

Medical Mart Operating – (\$1.3M)

→ *Refer to the Departmental Summary sections of budget document for each agency to see details of base adjustments.*

2014-2015 Budget Adjustments – General Fund

After the base budget was established budget requests and targeted reductions were incorporated into the base budget.

These subsequent adjustments altered the base allocation levels by either increasing or decreasing funding for a particular program budget from the established base for 2014-2015.

To balance the **General Fund** over the biennium \$8.5 million in targeted cuts to Executive agencies and \$1.5 million in proposed new revenue to subsidized program funds.

Areas targeted for reductions include vacant positions, Jail operations, contractual services and building maintenance costs.

→ *Refer to the Departmental Summary sections of budget document for each agency to see details of targeted budget adjustments.*

2014-2015 Budget Adjustments – HHS Levy Fund

The Levy Fund is a different story because of the pending vote on a new human services levy.

The recommended budget assumes no new revenue but can be changed once the outcome of the election is known.

The administration used a combination of proposed targeted budget reductions and the use of Levy Fund and Public Assistance Fund resources to develop a budget that maintains critical programs. To balance the Levy Fund over the biennium:

	2014 Recommended	2015 Recommend
Targeted Reductions	\$ 5.75 million	\$10.32 million
PA Fund Contribution	\$6.97 million	\$13.13 million
Levy Fund Reserves	\$8.32 million	\$792,000

Areas targeted for reductions include vacant positions, low priority programs, service provider contracts, reorganization.

→ *Refer to the Departmental Summary sections of budget document for each agency to see details of budget adjustments.*

Summary of 2014-2015 Recommended Budget

2014 - 2015 Recommended Biennial Budget General Fund, HHS Levy Fund, and All Funds Summary

2014 Recommended Budget	General Fund Operating	Health & Human Services Levy	Combined General Fund	All Funds
Revenue Estimate	\$ 374.07	\$ 203.32	\$ 577.39	\$ 1,264.12
Total Expenditures & Uses	\$ 373.45	\$ 211.64	\$ 585.09	\$ 1,284.16
Result of Operations	\$ 0.62	\$ (8.32)	\$ (7.70)	\$ (20.04)
Ending Balance	\$ 114.65	\$ 21.16	\$ 135.81	\$ 485.82
Balance to Expenditure %	30.7%	10.0%	23.2%	37.8%

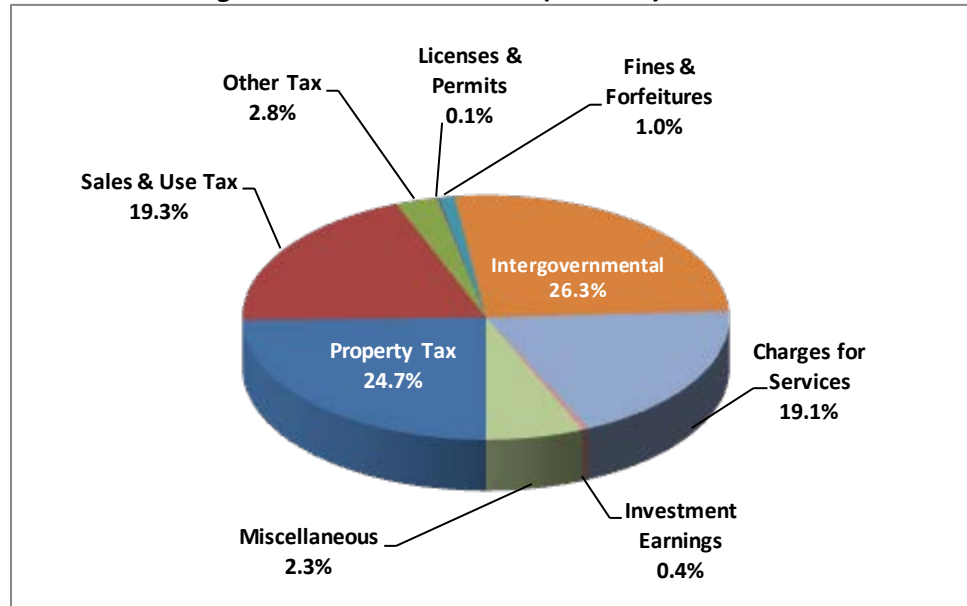
2015 Recommended Budget	General Fund Operating	Health & Human Services Levy	Combined General Fund	All Funds
Revenue Estimate	\$ 377.03	\$ 202.94	\$ 579.98	\$ 1,264.12
Total Expenditures & Uses	\$ 376.29	\$ 203.73	\$ 580.03	\$ 1,281.10
Result of Operations	\$ 0.74	\$ (0.79)	\$ (0.05)	\$ (16.98)
Ending Balance	\$ 101.72	\$ 20.37	\$ 122.09	\$ 461.36
Balance to Expenditure %	27.0%	10.0%	21.0%	36.0%

Total Biennial Revenues	\$ 751.10	\$ 406.26	\$ 1,157.37	\$ 2,528.24
Total Biennial Expenditures	\$ 749.74	\$ 415.38	\$ 1,165.12	\$ 2,565.26
Biennial Operating Results	\$ 1.36	\$ (9.11)	\$ (7.75)	\$ (16.86)

- The 2014-2015 General Fund operating budget of \$373.4 million and \$376.3 million (respectively) represents a **net decrease over the current 2013 budget of \$12.5 million.**
- The recommended General Fund budget of \$165.5 million (2014) for Executive agencies is **7.2% lower** than the 2013 current budget and will remain relatively flat at \$168.5 million in 2015.
- Important to note that the prospect of additional revenue from the proposed replacement HHS Levy has not been incorporated into the recommended budget for the Levy Fund.

All Funds Revenue - Composition

2014 -2015 Budget - All Funds Revenue (millions)



Revenue Source	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	'13 - '14 Change	'13 - '14 % Change
Property Tax	\$341.2	\$318.7	\$ 313.4	\$ 312.9	-\$5.3	-1.7%
Sales & Use Tax	226.8	235.9	242.5	248.0	6.6	2.8%
Other Tax	37.2	37.9	37.3	33.4	-0.6	-1.6%
Licenses & Permits	1.5	1.7	1.7	1.7	0.0	0.0%
Fines & Forfeitures	12.2	12.4	12.8	12.9	0.4	3.2%
Intergovernmental	347.9	334.5	332.9	334.0	-1.6	-0.5%
Charges for Services	240.3	237.0	240.3	239.2	3.3	1.4%
Investment Earnings:	14.6	3.7	4.1	7.2	0.4	10.8%
Miscellaneous	73.1	90.0	82.1	82.5	-7.9	-8.8%
Total Revenue	\$1,294.8	\$1,271.8	\$1,267.1	\$1,271.8	-\$4.7	-0.4%

- Reductions in the state’s local-government fund and the elimination of the tangible personal property tax have contributed to significant loss of revenue.
- The revenues that support county operations are expected to be stable overall in 2014 and 2015 with a 6.1% reduction in intergovernmental revenue sources
- Decreases in intergovernmental revenue are generally covered by local property tax dollars
- The other major source, property tax is expected remain stable in 2014-2015 budget but has declined by \$29 million since 2012

General Fund Revenue Trends

General Fund Operating Revenue Summary

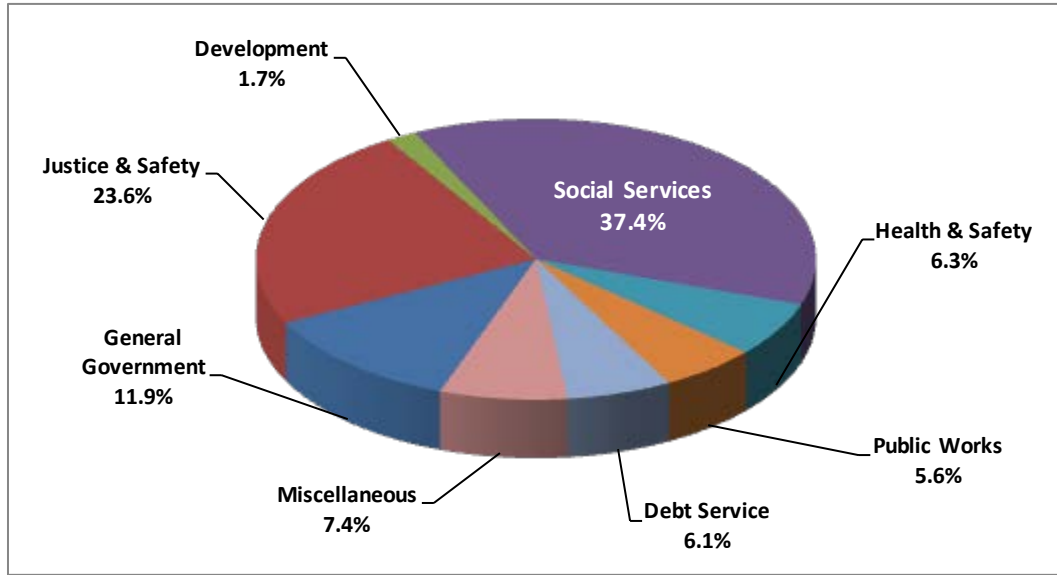
Revenue by Major Source 2011-2016

Revenue Source	2011 Act.	2012 Act.	2013 Q3 Est.	2014 Budget	% Chg		2016 Budget	
					From 2013 Est.	From 2014 Budget		
Property Taxes	14,183,988	14,818,423	13,909,411	13,875,536	-0.24%	9,646,536	-30.48%	9,791,234
Licenses And Permits	55,100	55,260	63,021	63,021	0.00%	63,021	0.00%	63,021
Fines And Forfeitures	9,598,765	9,320,384	9,890,427	10,241,826	3.55%	10,345,254	1.01%	10,345,254
Charges For Services	43,989,080	53,155,003	59,787,076	63,733,252	6.60%	63,680,820	-0.08%	66,857,312
Local Government Fund	33,704,385	22,990,045	17,355,667	16,868,483	-2.81%	17,121,510	1.50%	17,378,333
Other Intergovernmental	12,788,318	13,448,287	11,937,038	12,527,015	4.94%	12,527,015	0.00%	12,527,015
Miscellaneous	10,618,014	5,339,786	6,669,138	5,884,493	-11.77%	5,884,493	0.00%	5,709,493
Other Tax	2,472,213	3,234,851	4,026,096	4,788,292	18.93%	5,070,152	5.89%	5,171,152
Sales & Use Tax	216,589,257	226,787,081	235,932,801	242,538,178	2.80%	247,995,287	2.25%	251,962,134
Investment Earnings	12,525,501	6,637,983	3,349,841	3,550,087	5.98%	4,700,087	32.39%	5,210,087
Total Operating Revenue	356,524,621	355,787,103	362,920,516	374,070,183	3.07%	377,034,175	0.79%	385,015,035

- Local Government Fund revenue will decrease to \$ \$16.9 million in 2014, a drop that is in line with reductions mandated in the current State budget.
- Property Taxes are expected to generate \$13.9 million in 2014 for the General Fund and decrease in 2015 to fund Go debt service
- Sales and Use Tax, the largest General Fund revenue source at 65.3% of revenue is estimated at a total of \$242.5 million in 2014 and \$248.0 in 2015
- Investment earnings have bottomed out and are expected to being increasing after 2014 as short-term rates increase.

Expenditures By Function

2014 -2015 Budget - All Funds Expenditures (millions)

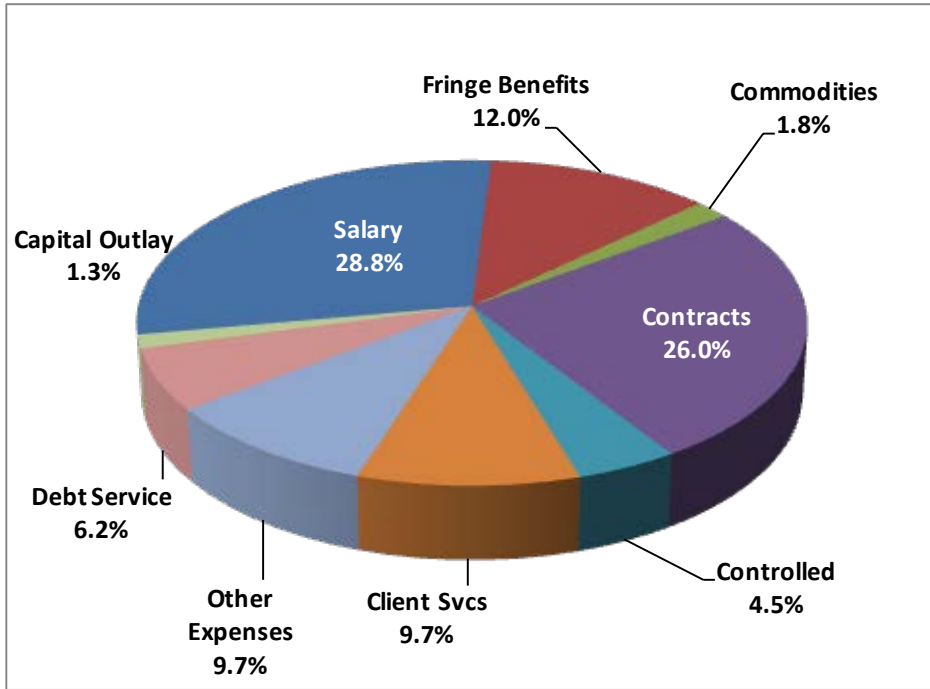


Expenditures	2012	2013	2014	2015	'13 - '14	'13 - '14
	Actual	Estimate	Budget	Budget	Change	% Change
General Government	\$150.4	\$154.6	\$ 153.4	\$ 151.3	-\$1.2	-0.8%
Justice & Safety	304.1	\$301.1	\$ 303.7	\$ 307.2	2.6	0.9%
Development	7.2	\$22.5	\$ 21.9	\$ 21.8	-0.6	-2.7%
Social Services	475.5	\$475.1	\$ 480.2	\$ 472.9	5.1	1.1%
Health & Safety	77.8	\$83.8	\$ 80.9	\$ 80.8	-2.9	-3.5%
Public Works	54.1	\$62.4	\$ 71.6	\$ 72.5	9.2	14.7%
Debt Service	77.7	\$82.8	\$ 78.0	\$ 78.0	-4.8	-5.8%
Miscellaneous	104.5	\$83.6	\$ 94.5	\$ 96.6	10.9	13.0%
Total Expenditures	\$1,251.3	\$1,265.9	\$1,284.2	\$1,281.1	\$18.3	1.4%

- The Health and Human Services function is the County's largest expenditure and represents 44% of the total All Funds operating budget
- Public Safety and Justice system expenditure are significant to the County budget overall (23.6%) and comprise a majority of General Fund operating expenditures at over 60% of general operations
- The government operating expenditures (net of other uses) are \$1.2 million lower than the 2013 third quarter projection and held flat in the 2014-2015 budget.

Expenditures By Object

2014 -2015 Budget All Funds Expenditures By Object



Expenditures (millions)	2012 Actual	2013 Est.	2014 Budget	2015 Budget	2016 Estimate
Salary	\$358.3	\$358.3	\$369.3	\$369.4	\$369.9
Fringe Benefits	\$148.8	\$148.8	\$152.6	\$155.1	\$157.9
Commodities	\$25.8	\$25.8	\$25.0	\$22.1	\$22.7
Contracts	\$309.0	\$309.0	\$330.8	\$335.1	\$333.9
Controlled	\$62.3	\$62.3	\$58.3	\$56.4	\$56.4
Client Svcs	\$129.0	\$129.0	\$127.1	\$122.6	\$119.6
Other Expenses	\$127.2	\$127.2	\$124.2	\$124.5	\$125.1
Debt Service	\$83.8	\$83.8	\$79.2	\$79.2	\$79.0
Capital Outlay	\$21.7	\$21.7	\$17.7	\$16.7	\$16.7
Total Expenditures	\$1,265.9	\$1,265.9	\$1,284.2	\$1,281.1	\$1,281.2

Agency budgets include line-item allocations for personnel expenses, contractual services, other expenses related to materials and administrative overhead costs.

- The 2014 All Funds operating budget devotes \$521.9 million or 40.8% of budgeted resource for salary and fringe benefit costs of employees across all County agencies.
- In 2014 the budget provides \$457.9 million or 35.7% of allocated resources to fund contracts and agreements various services.
- Approximately 4.5% of the County budget is for the provision of internal services including charges to County operating budgets for administrative services, building maintenance and security and information technology services.

General Fund & HHS Levy Fund Balances

2013-2016 Fund Balance Forecast

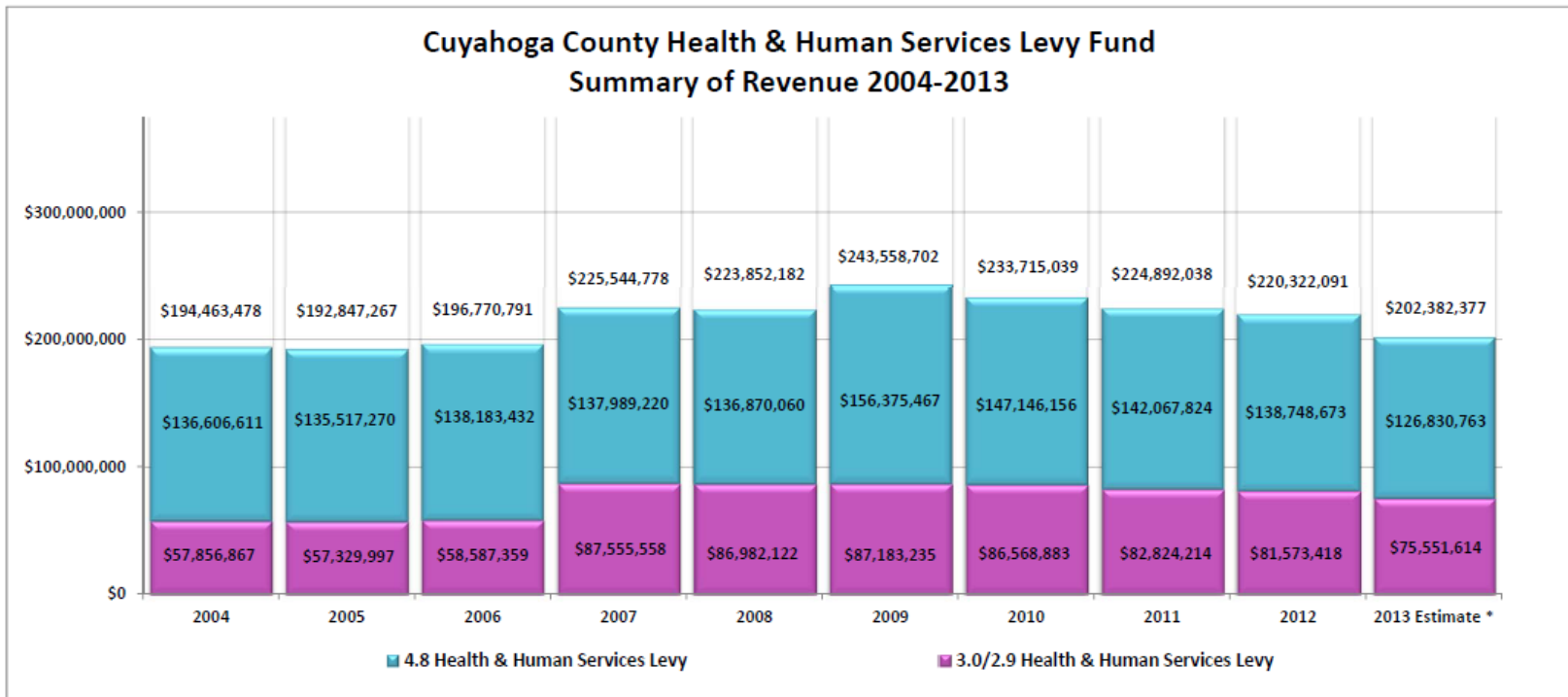
General Fund and Health & Human Services Levy Fund Budget

(\$ millions)	General Fund Operating					
	2013 Budget *	2013 Q3 Estimate	2014 Q3 Estimate	2014 Rec. Budget	2015 Rec. Budget	2016 Rec. Budget
Revenue	\$360.2	\$362.9	\$374.9	\$374.1	\$377.0	\$385.0
Expenditures	\$386.4	\$373.9	\$376.2	\$373.4	\$376.3	\$377.4
<i>Result of Operations</i>	<i>(\$26.2)</i>	<i>(\$11.0)</i>	<i>(\$1.3)</i>	\$0.7	\$0.7	\$7.6
Ending Balance	\$101.6	\$139.5	\$116.6	\$114.6	\$101.7	\$96.0
<i>Balance to Expenditure %</i>	26.3%	37.3%	31.0%	30.7%	27.0%	25.4%

(\$ millions)	Health & Human Services Levy Fund					
	2013 Budget *	2013 Q3 Estimate	2014 Q3 Estimate	2014 Rec. Budget	2015 Rec. Budget	2016 Rec. Budget
Revenue	\$206.9	\$204.5	\$203.7	\$203.3	\$202.9	\$202.9
Expenditures	\$213.1	\$214.4	\$215.4	\$211.6	\$203.7	\$203.0
<i>Result of Operations</i>	<i>(\$6.2)</i>	<i>(\$9.9)</i>	<i>(\$11.7)</i>	<i>(\$8.3)</i>	<i>(\$0.8)</i>	<i>(\$0.1)</i>
Ending Balance	\$33.1	\$29.5	\$17.7	\$21.2	\$20.4	\$20.3
<i>Balance to Expenditure %</i>	15.5%	13.8%	8.2%	10.0%	10.0%	10.0%

- The General Fund is structurally balanced through 2016. The ending balance is net of reserves and is expected to be 30.7% at the end of 2014.
- The ending balance in the HHS Levy Fund is held at 10% by incorporating budget reductions and utilizing cash resources from the Public Assistance Fund and the Levy Fund Balance.

HHS Levy Fund History



- HHS Levy Fund revenue peaked in 2009 at \$243 million. This is right before the impacts of the slide in property values and State reductions took hold
- The passage of the proposed 3.9 mill levy could increase total Levy Fund revenue to approximately \$230 million – and still be \$13 million (5.3%) lower than that peak level

HHS Levy Fund Outlook

Health and Human Services Levy Fund Summary	2012	2013 Budget	2013 Q3 Est.	2014 Rec. Budget	2015 Rec. Budget	2016 Rec. Budget
HHS Levy Fund Revenue	\$ 220.3	\$ 206.9	\$ 204.5	\$ 203.3	\$ 202.9	\$ 202.9
HHS Levy Fund Uses	\$ 224.3	\$ 213.1	\$ 214.4	\$ 211.6	\$ 203.7	\$ 203.0
Operating Result	\$ (4.0)	\$ (18.2)	\$ (20.6)	\$ (15.3)	\$ (13.8)	\$ (6.2)
<i>Public Assistance Fund Offset</i>	\$ -	\$ 12.0	\$ 10.7	\$ 7.0	\$ 13.0	\$ 6.1
Annual Funding for HHS Programs	\$ 224.3	\$ 225.1	\$ 225.1	\$ 218.6	\$ 216.7	\$ 209.1
Net Change in HHS Levy Fund Reserve	\$ (4.0)	\$ (6.2)	\$ (9.9)	\$ (8.3)	\$ (0.8)	\$ (0.1)
Available HHS Levy Fund Balance	\$ 39.3	\$ 33.1	\$ 29.5	\$ 21.2	\$ 20.4	\$ 20.3
<i>Balance to Exp. %</i>	17.5%	15.5%	13.9%	10.0%	10.0%	10.0%
PA Fund Cash Balance (Estimated)	\$ 43.0	\$ 31.0	\$ 32.3	\$ 25.3	\$ 12.3	\$ 6.2
Combined Balance to Exp %	36.7%	28.5%	27.5%	21.3%	15.1%	12.7%

- The 2014-2015 recommended budget includes a combination of budget reductions, Public Assistance Fund cash and drawing on Levy Fund reserves to support critical ongoing service levels through 2016
- The PA resources are intended to be spent and the useable balance in the combined fund reached a high point of **\$49.3 million** in 2010, declining to \$43.9 million by the end of 2012
- The ending reserve in the Levy Fund in the recommended budget is kept at 10% through 2016, assuming that no new revenue is realized
- **The combined reserve balance (with PA) is actually 21.3% in 2014 and 15.1% in 2015**

Questions

