Budget Task Force

Budget Development Process

Friday, April 13

Recap from Budget Task Force #1

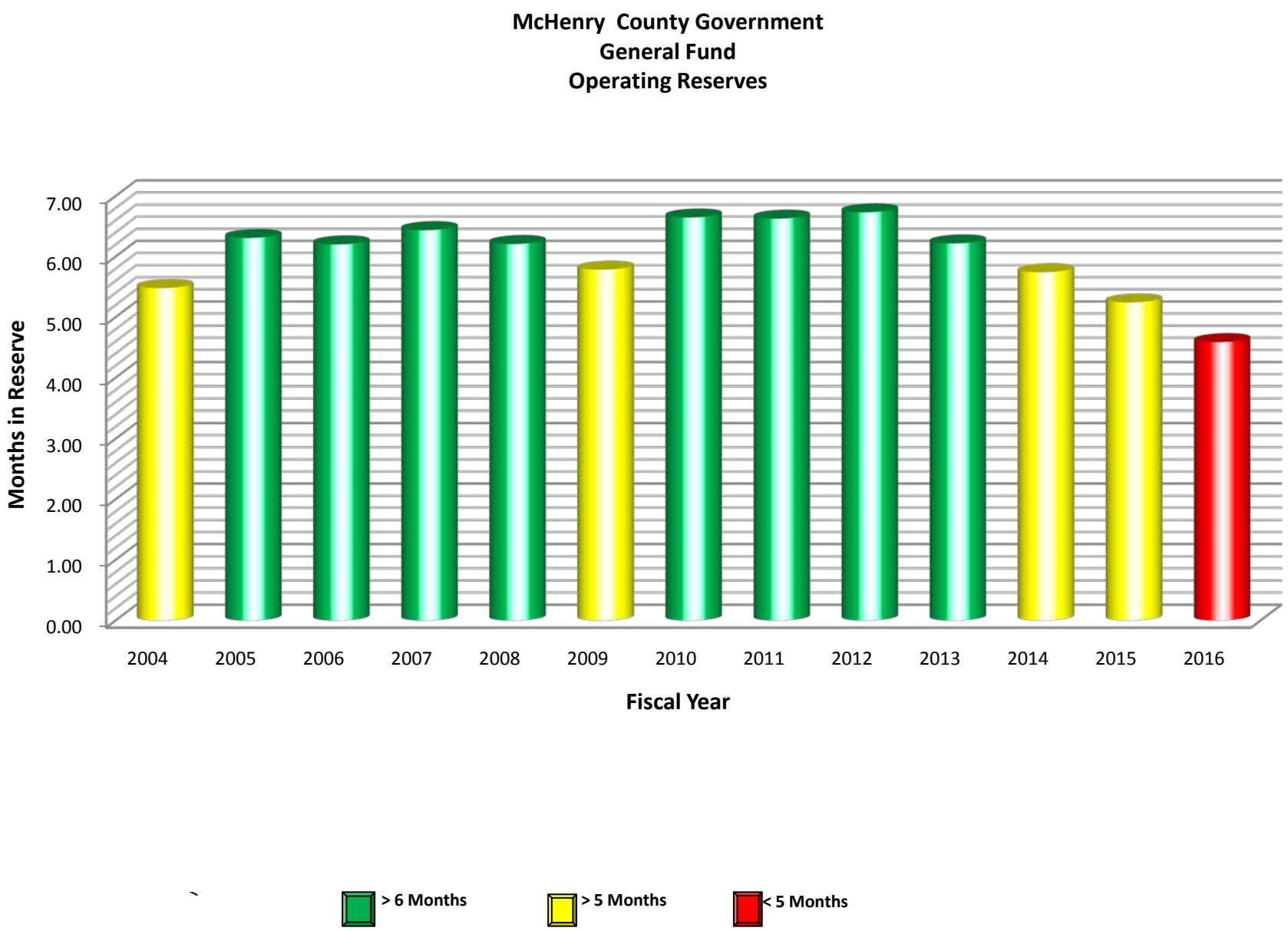
- Current Financial Model (graphed)

Recap from Budget Task Force #1

- No Aaa until we got to six months reserve

Recap from Budget Task Force #1

- Where are we with the reserve as of March 31, 2012?


McHenry County Government
General Fund
Operating Reserves
Months in Reserve
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
Fiscal Year
> 6 Months
> 5 Months
< 5 Months

County of McHenry
General Fund - Operating Fund Reserve
as of March 31, 2012

	as of 12/31/11	as of 01/31/12	as of 02/29/12	as of 03/31/12	YTD Revenues	Projected 04/30/12	Projected 05/31/12
Beg. Fund Balance - Undesignated	52,830,273	43,807,622	38,360,604	34,377,592	52,830,273	27,696,454	24,006,552
Adjustment to Balance	0	0	0	422,663	422,663	0	0
Actual Revenues	3,579,585	2,168,895	1,594,478	1,666,921	9,009,878	1,810,098	2,500,000
Actual Expenditures	(5,733,390)	(8,348,644)	(5,961,751)	(9,382,223)	(29,426,009)	(6,000,000)	(6,500,000)
Encumbrances	(6,868,845)	732,731	384,262	611,501	(5,140,351)	500,000	325,000
End. Fund Balance - Undesignated	**$43,807,622**	**$38,360,604**	**$34,377,592**	**$27,696,454**	**$27,696,454**	**$24,006,552**	**$20,331,552**
Months In Reserve	**6.57**	**5.71**	**5.01**	**4.15**	**4.15**	**3.69**	**3.13**

Recap Budget Task Force #2

- Personnel costs are 76% of the General Fund budget

- Frozen positions <u>and</u> Vacant positions are numerous → *need to be considered prior to the FY13 Budget Developnment*

Ralph’s Fun Fact

Today – Budget Development Process

- Process has worked successfully for many years
- Like any process, adjustments need to be considered
- Particularly true in today's economic and political environment → challenge status quo

Goals for Today

- Familiarize everyone with the details of the budget development process
- At the end of this morning, consider if there is different information that should be presented
- Prepare to update the FY13 Budget Policy at the May Budget Task Force
- Review initial list of functions/services of each Office/Dept (strategic action plan)

Step #1 – Adopt Budget Policy

- In the past, the budget policy has not contained any directives.
  - Simply…. use all revenue tools available to:
    - Balance budget
    - Keep County finances strong
    - Keep non-union wage somewhat comparable to union
    - Try and meet supplemental requests

- *Question:* Does the FY13 Budget Policy include "goals" or "guidelines" for the budget?

Suggested guidelines….?

- Contract Management
- Maintenance Contracts
- Outside Agency Funding
- Addressing PTELL Issues
- Targets for union & non-union wage increase

Step #1 – Adopt Budget Policy

- What are the key parts of the budget development policy?
  - We have stuck with a “maintenance budget”
  - Other types of budgeting…?

Line –item Budget:

•Focus is on financial accountability
•Control oriented
•Predominant form of budgeting

Performance Budget:

•Focus is on improving service delivery
•Output oriented
•Budget becomes a work contract between departments and budget commission

Program Budget:

•Focus is on goal attainment or effectiveness
•Outcome oriented
•Funds allocated along programs rather than departments
•Heavily dependent on analytical techniques to determine best allocation of resources

Zero Base Budget:

•Focus is on cost efficiency of services
•Departments divide activities into decision units
•Decision units are considered at various funding levels and ranked
•Rankings are merged across the whole government and final resource allocations are assigned

Target Base Budget:

•Focus is on limiting expenditures
•Justification oriented
•Revenue Projections are done and a proportion is set aside for discretionary budget decisions. Remainder of the budget is allocated to departments based on historical share
•Departments submit budgets showing spending plans for target base budget along with requests that justify the need for enhancement
•Typically used in budget cutting situations

Step #2 – Budget Kick-off meeting

Step #3 – Departmental Budgets Prepared

- Due at the end of June/early July
- Maintenance Budgets
- Look at new mandated programs
- Supplemental Requests included
- Highlights/Goals

Step #4 Meetings with County Administration

- Review
  - County Administration makes certain that the Dept/Office has a “maintenance budget”
  - Make sure all forms completed and submitted

- Question

- Consider Options/Negotiate/Plan

Step #5 Review Budgets with Standing Committees

- Committees are made aware of concerns and pressures
- Committees are made aware of supplemental requests
- Committees informally express support/concern for items in budget and supplementals

Step #6 Initial Presentation to County Board

- Early budget projections to County Board
- Present assumptions
- Present challenges
- Limit expectations

It is important to get the directive “up front”

Step #7 Consider Supplementals

- Consider all requests – *County Administration is uniquely positioned*
- Rank
  - Can it wait?
  - Is it mandated?
  - Is it a one-time cost or ongoing?
  - Is it identified in the Strategic Plan!
- Negotiate with Offices/Departments
  - Consider all options

Step #8 Recommend Supplementals

- In the past with Chairs of Committees (CALF)
- Allow period of time to “sit”

Step #9 Final Budget Recommendation

- Finance Committee recommends supplementals
- Finance Committee recommends final budget for public display

What does each Department do?