



WASHOE COUNTY

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CM/ACM _____
Finance _____
DA _____
Risk Mgt. _____
HR _____
Other _____

STAFF REPORT

BOARD MEETING DATE: March 17, 2009

DATE: March 13, 2009
TO: Board of County Commissioners
FROM: Budget Policy Committee
THROUGH: Katy Simon, County Manager
SUBJECT: Presentation of Budget Policy Committee recommendations for budget principles, budget balancing strategies, and criteria for adoption and/or direction to staff. (All Commission Districts)

SUMMARY

The Board established the Budget Policy Committee to develop budget principles and guidelines that would provide a policy framework to assist with balancing the Fiscal Year 2009/10 Budget. Ten members from a cross-section of departments, employee associations, and private citizens were appointed to serve on the Committee. The Committee held four meetings. Attached is the Committee's report summarizing their recommendations.

County Priority supported by this item: Improve efficiency and financial stability of Washoe County

PREVIOUS ACTION

January 27, 2009, the Board directed staff to bring back to the Board the establishment of a Budget Policy Committee

February 10, 2009, the Board established the Budget Policy Committee and directed staff to bring back the committee membership for confirmation.

February 24, 2009, the Board approved retroactive confirmation of appointments to Budget Policy Committee and acknowledged staff report on FY 2009/10 Budget Update

March 3, 2009, the Board acknowledged a staff report providing a status report on the work of the Budget Policy Committee

BACKGROUND

Please see the attached report summarizing the recommendations of the Committee

AGENDA ITEM # 5

FISCAL IMPACT

The work of the Budget Policy Committee will assist departments and the Board in the process to balance the budget. There is minimal fiscal impact directly associated with the Committee's recommendations.

RECOMMENDATION

It is recommended the Board acknowledge the presentation of Budget Policy Committee recommendations for budget principles, budget balancing strategies, and criteria for adoption and/or possible direction to staff.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, move to acknowledge presentation of Budget Policy Committee recommendations for budget principles, budget balancing strategies, and criteria for adoption and/or direct staff to _____ .



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WASHOE COUNTY

BUDGET POLICY COMMITTEE

RECOMMENDATIONS ON BUDGET PRINCIPLES, BUDGET BALANCING STRATEGIES, AND EVALUATION CRITERIA

MARCH 17, 2009

COMMITTEE MEMBERS

Members

David Humke, Chairman County Commission
Robert Larkin, County Commissioner
Mike Haley, Washoe County Sheriff
Bill Berrum, Washoe County Treasurer
Doug Doolittle, Director Regional Parks/Open Space
Rosemary Menard, Director Water Resources
Carla Fells, Employee Association Representative
Dennis Carry, Employee Association Representative
Rand Tanner, Organizational Effectiveness Committee
Dave Funk, Organizational Effectiveness Committee

Ex-Officio

Katy Simon, County Manager
John Sherman, Finance Director

Alternates

Bonnie Weber, County Commissioner
Kitty Jung, County Commissioner
John Breternitz, County Commissioner
Richard Gammick, District Attorney
Steve Kutz, Employee Association Representative
Gene Brockman, Organization. Effect. Committee
Marcus Hodges, Employee Assoc. Representative
Kevin Schiller, Director Social Services

Staff Support

Budget Division
Human Resources

Washoe County Budget Policy Committee
Recommendations on Budget Principles, Balancing Strategies, and Criteria

BACKGROUND

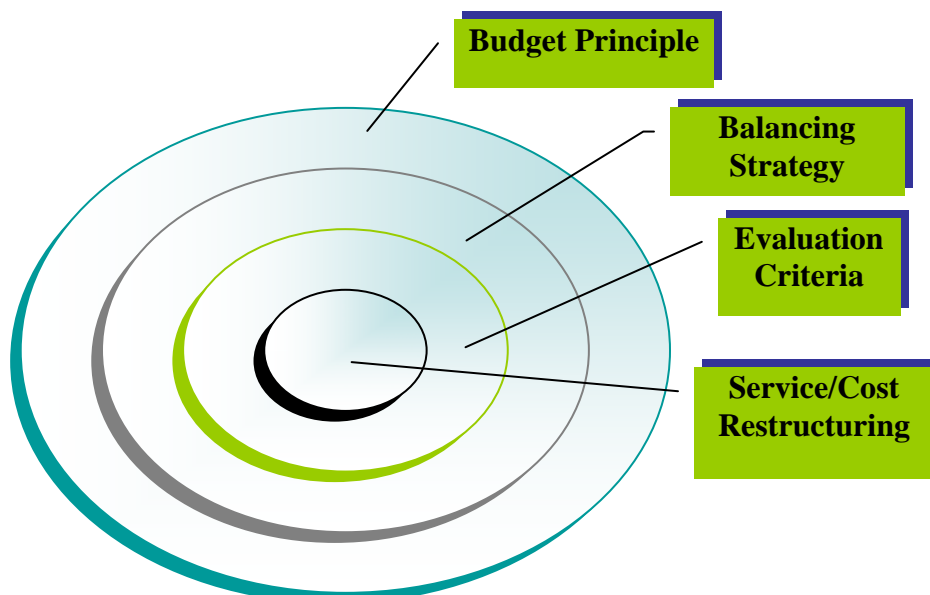
Recognizing the magnitude of the challenge to balance the Fiscal Year 2009/10 Budget, the Board of County Commissioners formed the Budget Policy Committee on February 10, 2009. The purpose of the Budget Policy Committee has been to develop budget principles and guidelines that can be used to inform budget reduction choices and develop a sound fiscal plan to balance the budget. The budget principles are intended to be used in conjunction with and as a complementing budget balancing approach to the Board adopted tier reduction method.

The Budget Policy Committee held four meetings to discuss budget principles. The Committee reviewed various materials including:

- An overview of the County's Current Fiscal Situation;
- The 2009 Citizen Satisfaction Survey;
- Examples of Budget Policies from other government jurisdictions;
- The 2008 Community Input Report;
- The Charting Our Course Report; and
- A Revenue and Expenditure History of the General Fund FYs 1992 to 2008.

The Committee focused on defining budget principles that can be used to inform budget-balancing strategies. Based on budget principles and budget balancing strategies, opportunities to restructure and reduce specific services and costs can be determined. In this regard, budget balancing actions will be aligned with strategic budget principles. Because not all opportunities may be pursued, or should be pursued, the Committee discussed evaluation criteria to decide which opportunities make the best risk-reward sense to strategically achieve. The diagram below visually depicts the alignment of budget principles through to specific service/cost restructuring opportunities.

Diagram: *Principle Based Budget Balancing*



*Washoe County Budget Policy Committee
Recommendations on Budget Principles, Balancing Strategies, and Criteria*

SUMMARY OF RECOMMENDED BUDGET PRINCIPLES

Budget Principle (Not Ranked)	Discussion
A. The budget must be responsive to changing conditions.	<i>Budgets should flexibly adjust and scale to constantly changing conditions—changes in revenue, changes in demand, and changes in the law and policy. Changing conditions can also drive a need for shifts in service delivery priority. For example, in a down economic cycle demand for public safety and social services goes up. The budget must respond flexibly to these types of changes.</i>
B. Core services, mandates, and service levels need to be linked to community needs.	<i>Services are provided to meet community needs—needs that are determined and put forth by varied sources from legal mandates to voter decisions to discretionary policy choices. Budgeting should differentiate between mandates and discretionary services. The “must do” has to be a priority. At the same time, funding community needs should be done on a continuum of service provision as opposed to a mandate-centered approach. A flexible and community focused approach should be taken toward delivering and funding mandated services particularly as it relates to service levels. The risks of not meeting mandates fully have to be weighed. In addition, funding between mandated and non-mandated services should have a balanced consideration of the interrelated nature of service outcome. For instance, investing in non-mandated services may create the potential for cost cost-avoidance in mandated services.</i>
C. Budget decisions must address current needs and be future oriented in a fiscally prudent manner.	<i>Prudent budgeting considers meeting current needs (or not meeting needs) in a manner that lives within means (current revenues), saves for the future (builds reserves for “rainy day”), preserves infrastructure investments, and does not create liability.</i>
D. Results driven and quantitatively informed.	<i>The allocation of resources should be quantitatively informed about the results achieved. Service providers should be held accountable for successes and failures.</i>
E. Budget choices are to be strategically informed and should be realistic, pragmatic, and priority driven.	<i>Strategic planning should not be minimized as efforts are made to balance the budget given the magnitude of reductions necessary. The tactical actions taken to balance the budget need to be connected to a long-term approach. These efforts must be realistic and geared to pragmatic problem solving based on strategic priorities.</i>

Washoe County Budget Policy Committee
Recommendations on Budget Principles, Balancing Strategies, and Criteria

Budget Principle (Not Ranked)	Discussion
F. Budget decisions should consider quality of life.	<i>Funding quality of life services, even when discretionary, can be a prudent investment that leads to cost avoidance for mandated services such as public safety.</i>
G. Budgets should be managed at the lowest level but informed by high-level policy direction, principles, and guidance.	<i>The budgeting process should empower the departments that provide services to deliver excellent and cost effective services. Of equal importance, the service delivery efforts and goals should be aligned with the high-level policies, principles, and guidance provided by the Board of County Commissioners.</i>
H. Be creative and entrepreneurial, and promote the talents of employees and citizens to provide services.	<i>Government needs to “think out of the box” and look for entrepreneurial opportunities to increase revenue by promoting the talents of its employees to innovate and create services that other governments would want to purchase. Likewise, government needs to promote citizens providing services to themselves. For example, volunteering to deliver services such as at libraries and parks, using technology such as the internet for self-service. In addition, the County needs to evaluate the services it provides by comparing to the private sector. If the private sector offers the service, why does government provide it and does government provide it at the same price?</i>
I. Budget choices must consider and reward operational efficiency.	<i>The efficient use of resources should be rewarded and budget choices should factor in efficiency. Audits should be used to identify and improve efficiency.</i>
J. Funding decisions should be made at the program level.	<i>A program is a collection of interrelated activities that are dedicated to or correlated with the achievement of a common outcome and serve a common base of customers. Funding at the program level connects the allocation of resources in a transparent manner to the specific results those resources are appropriated to achieve. Program based budgeting makes evaluating results and costs easier, which in turn facilitates better information on setting priorities and determining strategies. A risk based assessment of programs should be done, evaluating for performance and compliance. If a program does not deliver results or meet a need, it should not be funded.</i>
K. Resources should be maximized within and across departments and other jurisdictions.	<i>Duplicate and overlapping service provision dilutes the tax dollar yield to provide services. Government should look for opportunities to eliminate duplication by partnering and collaborating to share services across departments and other jurisdictions, and where appropriate overlapping services should be consolidated.</i>

*Washoe County Budget Policy Committee
Recommendations on Budget Principles, Balancing Strategies, and Criteria*

Budget Principle (Not Ranked)	Discussion
L. Employees are the most valuable resource in providing public services.	<i>Quality public service begins with employees that dedicate their careers to building and providing services to the public. Budget choices must value the contribution of employees and promote their continued dedication to provide services.</i>
M. Opportunities to increase and enhance revenues should be pursued.	<i>Enhancing existing revenues and bringing in new revenues should be encouraged. Revenue from all sources should be considered including but not limited to: grants, fees, and fines. The cost of fiscal administration for the revenue should be considered, as well as the sustainability.</i>

RECOMMENDED BUDGET BALANCING STRATEGIES

A budget balancing strategy is a tool and optic through which currently provided services can be viewed in light of the budget principles. In this respect, the strategy serves as a pathway to move from an existing service/cost model to a new model in a manner that is consistent with principles. Below are categories or budget balancing strategies.

- Outsourcing
- Legislative Changes to Mandates
- Internal/External Consolidation of Services
- Improve Operational Efficiency
- Restructure Pay and Classification Benefits
- Evaluation of Program Effectiveness
- Entrepreneurial Opportunities
- Shared Services
- Asset/Property Management
- In-Sourcing
- Service Level Reductions

RECOMMENDED CRITERIA FOR EVALUATING BUDGET BALANCING OPPORTUNITIES

Each specific budget balancing opportunity needs to be evaluated based on criteria. By establishing a common set of criteria through which specific budget balancing strategies and opportunities are evaluated, efforts to balance the budget can be strategically channeled to achieve the optimum results. Combined with the budget principles and specific strategies, the evaluation criteria establish a common risk-reward basis to develop a strategic budget balancing plan.

Washoe County Budget Policy Committee
Recommendations on Budget Principles, Balancing Strategies, and Criteria

- Impact on Mandates
- Dollar Impact
- Complexity of Implementation
- Board of County Commissioner Authority to Implement (legal ability)
- Time to Implement
- Impact to Public Services
- Impact to Employees
- Impact to Stakeholder Agencies and on the System (each other)
- Current Program Performance
- Duplicate Provision of Service
- Revenue Generation/Production
- Minimum Funding Level Thresholds

The criteria should be applied in a decision matrix manner evaluating for both potential positive and negative impacts on a scale of high, medium, and low.

	Positive	Negative
High		
Medium		
Low		