

Prince William County Government
Board of County Supervisors



Process for Developing Budget Scenarios

*Michelle Casciato, Director
Office of Management & Budget
September 25, 2012*

Background

- BOCS directive 12-514
- Five Year Plan tax policy
 - ◆ Current Five Year Plan envisions tax bill remaining flat – rising only for inflation or estimated at 4% per year
- Directive – “Need to have a discussion as a Board as to where we want to go”
 - ◆ Budget scenarios that can inform our decisions
 - ◆ Necessary cuts to achieve lower tax bill scenarios
 - ◆ Service delivery improvements that could be made if tax bill was higher
- Schools were asked to participate

Tax Policy Scenario What It Would Take to Get to a Balanced Budget

| Scenario | | FY 14 | FY 15 | FY 16 | FY 17 | Five Year Impact |
|------------------------|---------|----------|----------|----------|----------|------------------|
| 5% | County | \$2.1 | \$4.7 | \$7.6 | \$10.8 | \$25.2 |
| | Schools | \$2.8 | \$6.2 | \$9.9 | \$14.1 | \$33.0 |
| 4.5% | County | \$1.2 | \$2.5 | \$3.9 | \$5.5 | \$13.0 |
| | Schools | \$1.5 | \$3.2 | \$5.1 | \$7.2 | \$17.1 |
| 3.5% | County | (\$1.2) | (\$2.5) | (\$5.2) | (\$8.0) | (\$16.9) |
| | Schools | (\$1.5) | (\$3.2) | (\$6.8) | (\$10.5) | (\$22.1) |
| Flat Rate @ \$1.209 | County | (\$2.3) | (\$3.7) | (\$3.9) | (\$2.8) | (\$12.6) |
| | Schools | (\$3.1) | (\$4.8) | (\$5.1) | (\$3.6) | (\$16.6) |
| 3% | County | (\$2.3) | (\$4.9) | (\$7.8) | (\$10.8) | (\$25.8) |
| | Schools | (\$3.1) | (\$6.4) | (\$10.2) | (\$14.2) | (\$33.9) |
| Flat Bill @ \$3,303 | County | (\$9.1) | (\$19.0) | (\$29.7) | (\$40.9) | (\$98.7) |
| | Schools | (\$12.0) | (\$25.0) | (\$38.9) | (\$53.6) | (\$129.5) |

All numbers expressed in millions

Process for Developing Budget Scenarios | September 25, 2012

|3|

BOCS Policy Guidance for Scenarios

- Maintain revenue sharing with Schools at 56.75%
- Maintain Strategic Plan priorities
 - ◆ Economic development, transportation, public safety
- Use risk score for all operating priorities
- AAA ratings to be maintained
- Don't automatically replace federal/state cuts
- Identify critical unmet needs

Process for Developing Budget Scenarios | September 25, 2012

|4|

Underlying Assumptions

- FY 2013-2017 Five Year Plan
 - ◆ Base document
- Adopted FY 2013 Budget
 - ◆ Base for going forward
- Tax Policy Scenarios
 - ◆ Same percentage or rate carried forward each year for FY 2014-2017

Engaging in Community Discussion

- Helping the BOCS and community “have a discussion about where we want to go”
 - ◆ Staff will provide quantitative and qualitative information
 - ◆ BOCS/Community will be given wide range of “choices” to consider
 - ◆ BOCS/Community will be given list of unmet needs

How Agency Budgets are Organized

- BOCS adopts outcome (performance) budget
 - ◆ Funding is linked to desired outcomes for the community
 - ◆ Outcomes are the desired result of a series of programs, activities, projects and initiatives
- Department budgets organized around programs
 - ◆ Program is a group of activities that together achieve a specific purpose/set of outcomes
- Activities exist within programs
 - ◆ Allow for more detailed analysis

Process for Developing Budget Scenarios | September 25, 2012

171

Responding to BOCS Directive What You Will See On 10/2

- Qualitative information shown for each agency
 - ◆ Program/activity risk score
 - ◆ Programs/activities mandated by the Federal or state governments
 - ◆ Any contractual obligations/inter-jurisdictional agreements
 - ◆ Programs/activities that support AAA ratings
 - ◆ Programs/activities that represent local "choices" for the community to fund
 - ◆ Impacts of decision to defund these "choices"
 - ◆ Unmet critical needs

Process for Developing Budget Scenarios | September 25, 2012

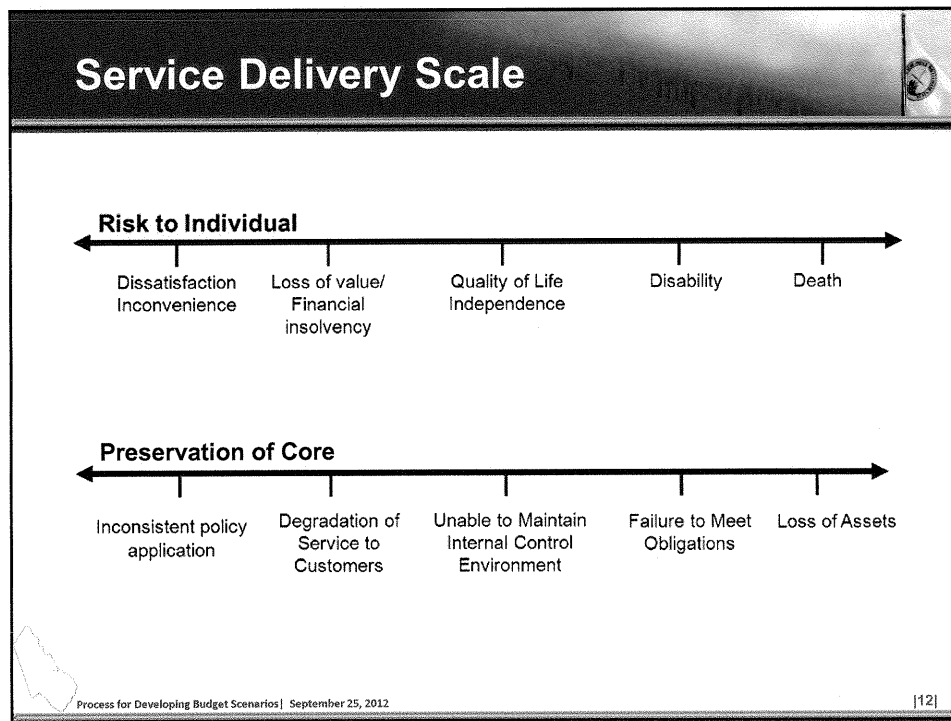
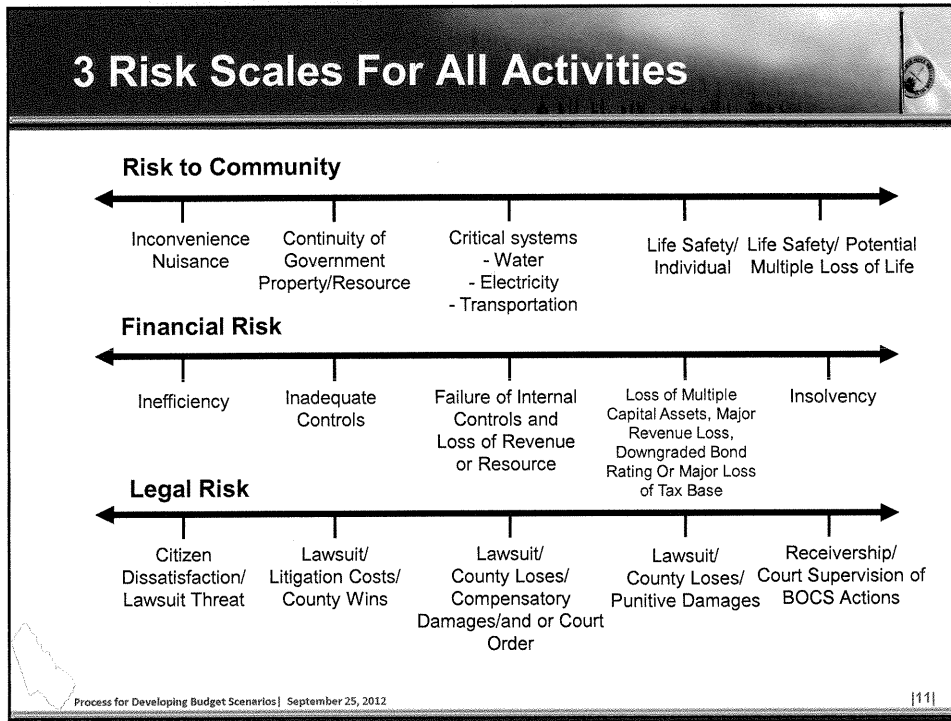
181

Responding to BOCS Directive What You Will See On 10/2

- Quantitative information shown for each agency
 - ◆ Net FY 13 general fund program/activity costs
 - ◆ FY 07-11 net budget cuts – restored funding not included
 - ◆ BOCS/community policy choices
 - We will show how much the tax rate can be reduced for each program or activity if it is defunded
 - Based on FY 13 adopted rate of \$1.209
 - ◆ Necessary reduction in Schools revenue for each choice based on County/Schools revenue agreement

Risk Assessment

- All activities ranked on four scales from 1-5
- Scoring range 4-20
- Three scales for all activities
 - ◆ Financial
 - ◆ Legal
 - ◆ Community
- Final scale based on community or internal customer
 - ◆ Individual
 - ◆ Preservation of Core



Risk Scoring - Examples

| <u>Child Protective Services</u> | | <u>Bluebird Bus</u> | |
|----------------------------------|---|------------------------|---|
| ■ Risk to Community | 5 | ■ Risk to Community | 1 |
| ■ Legal Risk | 5 | ■ Legal Risk | 1 |
| ■ Financial Risk | 4 | ■ Financial Risk | 1 |
| ■ Risk to Individual | 5 | ■ Preservation of Core | 1 |
| Score 19 | | Score 4 | |

Process for Developing Budget Scenarios | September 25, 2012
[13]

Risk Scoring - Examples

| <u>County Vehicle Maintenance</u> | | <u>Capital Project Debt Not Yet Issued</u> | |
|-----------------------------------|---|--|---|
| ■ Risk to Community | 5 | ■ Risk to Community | 1 |
| ■ Legal Risk | 3 | ■ Legal Risk | 1 |
| ■ Financial Risk | 4 | ■ Financial Risk | 1 |
| ■ Risk to Individual | 5 | ■ Preservation of Core | 1 |
| Score 17 | | Score 4 | |

Process for Developing Budget Scenarios | September 25, 2012
[14]

Unmet Critical Needs

- Identified by department directors
- Performance measures
- FY 14 cost, Five Year Plan cost, other sources of revenue
- Criteria
 - ◆ Potential failure of state or federal audits
 - ◆ Existing potential liability/safety issue
 - ◆ Not meeting mandated levels of service for high risk activity
 - ◆ Not meeting mandated levels of service
 - ◆ Lack of staff capacity creates temporary closures
 - ◆ Sunset provision in play
 - ◆ Not meeting professional standards
 - ◆ Currently providing inefficient service

What You Will See Next Week

- Department
 - ◆ Mandated activities
 - ◆ Activities that support strategic plan outcomes or AAA ratings
 - ◆ Interjurisdictional Agreements
 - ◆ CXO Recommendation for Continued Funding
 - ◆ Choices

| BOCS/Community Choices | Risk Score | County Net General Fund Support | Tax Rate Equivalent | Schools Equivalent Cut |
|------------------------|------------|---------------------------------|---------------------|------------------------|
| Description | # | \$XX | \$0.00XX | \$XX,XXX |