

Budget Advancement

April 2018

Budget Advancement

- Quarterly 12 month rolling forecasts
- Dept. Heads/Elected Officials primary responsibility for:
 - Their monthly budget variance reports
 - The 12 month rolling forecasts each quarter
- 3-5 year forecast of capital projects tied to the Strategy
- Budget staged projects at actual start dates and only the next stage
- Metrics
- Approval Levels

General Comments

- This is not a criticism of Budget or anyone else.
- I did not conduct an audit nor should this be construed as representing one.
- These recommendations represent advancements we could implement. I implemented these in my business to enable more insights, controls and better forecasting.
- Recommendations are limited because:
 - Munis (ERP) is being rolled out. It will change procedures, controls and provide more detailed and sometimes more timely information.
 - The Budget process is underway but I have not been through one yet. I may have more recommendations later in the year.

Quarterly 12 month rolling forecasts

- Normal FY forecasts become less and less valuable as the year progresses and the forecast timeframe shrinks
- 12 month rolling forecasts enable a view one year into the future each quarter when the forecasts are done
 - Gives a better view into expenses that will hit outside the current budget enabling better planning earlier on especially for IT, PW, Facilities, and Construction & Projects.
 - The next year's budget is easier to prepare since forecasts give much of the next year's costs.
- Implementation:
 - Training of staff how to handle certain costs like pay increases or new capital expenses

Dept. Heads/Elected Officials primary forecasters of their budgets

- The Department Heads/Elected Officials have primary responsibility for their FY forecasts with Budget assisting instead of the other way around.
 - Though they do a good job, Budget has limited staff to manage all of the variance reports and forecasts for all of the County departments.
 - Better results occur when the person who controls the budget is responsible for the forecast
 - To help insure a thorough effort is made, a portion of Pay For Performance and incentive bonuses of the departments is tied to the accuracy of their variance reports and forecasts

3 to 5 year Forecast of Capital Projects

- Departments tie capital projects to their departmental strategy showing how capital investments, personnel additions and other investments achieve the 3 to 5 year vision.
- Commissioners will have a better view of each departments strategy to achieve the County vision.
- Commissioners will see how delaying or canceling a particular project impacts the achievement of the strategy, goals and objectives years in the future.
- Capital needs can be planned holistically instead of piecemeal.
- This is most valuable for IT, PW, Facilities, and Construction & Projects.

3 to 5 year Forecast of Capital Projects

(continued)

- This will require:
 - All departments create a 3 to 5 year goals and objectives to support the County strategy
 - Capital Plan must support the goals and objectives:
 - The capital plan by each department is laid out year by year showing how investments tie to future investments
 - Forecasted costs should be included
 - Department heads/Elected officials may need training
- Facility Condition Assessment software can help with building related capital expenditures, as well as maintenance and replacement timing, which feeds into the annual budget

Staged Projects Budgeted at Actual Start Dates

- Some projects can be budgeted in stages, e.g. Stage 1/Year 1: ERP implementation; Stage 2/Year 2: Add-on Purchasing module
 - This allows the Commissioners to more easily change priorities in each budget year instead of being locked in to a project
 - Changing projects is hard on the staff working on a project, especially if priorities change
- Budgeting for the actual start date and only the next stage for a staged project gives advantages:
 - The actual budget cost for the year is more accurate
 - More money is then available for other projects or staff since the annual budget only includes that year's stage costs

Metrics

- Some metrics are done today. We can do more to provide more information to the Commissioners to assist them in evaluating the efficiency and quality of departments.
- Every department will define metrics that correlate with the primary workload of the department and its quality measures. Commissioners can use these to evaluate the efficiency and effectiveness of the departments.
 - Metrics should be easy to understand and not too complex
 - Metrics should be easy to measure and easy to calculate at each reporting period
 - Efficiency measures can include: throughput within a period of time, staffing level per unit of workload, dollars spent per unit of workload, budget vs actuals, and work redo.
 - Quality metrics can be used to determine a Quality score that can be calculated each month to compare increases or decreases in quality. Quality measures could include: errors, inspection scores, customer satisfaction rating, recidivism, and work redo.

Approval Levels

- Finding the right approval level for changes or amendments:
 - Approval Levels for changes or amendments that are too low increase time to implement projects awaiting the Court to convene not commensurate with the risk.
 - Approval Levels too high increase risk that money and staff are expended on efforts that would not be approved if viewed from the Commissioners' level.
- Current levels could be adjusted to fit the responsibilities and authority of key staff:
 - Recommend the \$50,000 level for the Administrative Director for all changes, like the authority of the Purchasing Director.
 - Currently AD has only \$50,000 for COs for construction.

Metrics

- The various factors that drive staffing can be difficult to explain so staffing remains a black box. But using the metrics can drive a close approximation of the needed staffing. For example for the detention center, the jail population (“ADP”) does not tell the ‘whole story’ about staffing needs:
 - Officers in training do not count against staffing requirements, but they are counted in the headcount
 - Greater intake and release, transfer, inspections, inmate programs, training, case screening, gender mix, security classification, and medical levels require more staff though they might not impact the day’s jail population.
 - Staffing could be estimated from the metrics. For example:

Total Staff required = $(I\&R/40*5) + (Trans*.1) + (Insp.*3) + (Prog*.5) + (Training\ officers) + (case*.25) + (Sec\ B\ \&\ C / .025 + SecA\ \&\ B / .125) + (Sec\ B\ \&\ C / .025 + SecA\ \&\ B / .125) / 10 + (Med\text{-}suicide\ watch) / 8 + (Suicide\ watch / 4)$