

2014-2015 Executive's Recommended Biennial Budget Overview

The mission for Cuyahoga County government includes emphasis on improvements in several key areas, including a continual search for efficiencies, serving as a leader in economic development in the Northeast Ohio region and encouraging regional collaboration that benefits all citizens of Cuyahoga County. The recommended budget presented by the County Executive to the County Council clearly highlights the priorities of County government. While some priorities stand out among others, the true mandate for this government is to strive to do everything it does much better smarter, more efficiently and cost-effectively. Budget flexibility and proactive management of resources has enabled the County to cope with significant revenue reductions from the State. Service levels have been maintained without raising taxes despite a 50% cut to the County's local government fund allocation and deep reductions of other State revenue assistance.

Among other objectives, the 2014-2015 operating budget maintains a solid financial foundation that is essential to all services and functions that the County provides, especially since revenues available for services will only see modest gains. The Recommended Budget for the next biennium, as presented, is balanced in its programmatic and financial components.

The biennial budget process was designed to address several strategic goals:

- 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

The charter government era for the County has created opportunities to change the way budgets have been developed in the past. The designed outcome is a two-year operating plan that will identify different and better ways of using resources to maintain the mission and values of Cuyahoga County. Developing an operating plan that is fiscally sustainable remains a high priority, as is the expectation that current operating expenditures be in line with anticipated revenue.

The objectives of the 2014-2015 operating budget plan include:

- Using resources in a manner that produces measurable outcomes
- Allocating resources to fund priorities and strategic initiatives
- Continual refinement of staffing levels in Executive agencies
- Balancing estimated resources with programmatic expenditures
- Addressing structural balance in both the General Fund and HHS Levy Fund
- Contending with lower levels of state and federal revenue for the foreseeable future

- Incorporating impacts of approved organizational changes and operating funds
- Implementation of the new County headquarters and improved space strategy
- Submission of updates to the five year Capital Improvement Plan

A comparison of the recommended biennial budget being submitted for consideration is provided in summary format in Figure 1.

**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)

Figure 1

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 was developed using expenditure trends estimated for 2014 and includes a reallocation of funding based on defined priorities. The 2013 General Fund budget is balanced within the biennium and will have an operating surplus of \$1.4 million over the biennium. The General Fund budget for 2014-2015 maintains a reserve fund balance above the stated policy level of 25% after utilization of reserves for the strategic investments approved in the previous biennium. **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.**

The Health & Human Services Levy Fund budget is \$211.6 million in 2014 and 203.7 million in 2015. The recommended budget identifies the expected utilization of Levy Fund dollars for Health and Human Services programs based on current revenue levels. There are no new programs included in the updated budget aside

from the approvals granted for reorganizations and budget realignments that were previously approved in 2013 (R2013-0039). The recommended biennial budget includes reduction to program allocations of \$5.7 million in 2014 and \$10.3 million in 2015. The proposed HHS Levy Fund budget includes the utilization of \$20.1 million in Public Assistance Fund cash resources to maintain service levels and keep the Levy Fund balance at the required level of 10%.

It is 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. *Additional recommendations for HHS Levy Fund utilization for the 2014-2015 biennium will be forthcoming if the new levy wins passage at the November election.*

The recommended all funds budget for the 2014-2015 biennium includes allocations for all County operating fund budgets. The budget for all funds is \$1.28 billion in both years of the biennium. The proposed budget includes use of reserves in the Public Assistance funds and other operating funds where resources are expected to be spent for specific purposes. **The recommended all funds budget of \$1.28 billion (2014) for Executive agencies is 6.4% lower than the 2013 current budget and will remain flat at \$1.28 billion in 2015.**

2014 - 2015 Budget Parameters and Budget Development

Budget Parameters

The final work product of the biennial budget process is an operating plan for the 2014-2015 period that preserves our priority programs, does not drain available resources and provides adequate funding for the priority programs of County government to operate efficiently and with inherent financial stability. The 2014 – 2015 budget development process began at the end of second quarter and will continue through the rest of 2013 with the submission of this proposed operating plan and evaluation and approval by County Council.

The majority of the 2014-2015 biennial budget was developed from the results of the 2013 second quarter review with an emphasis on revenue and expenditure trends expected for 2014.

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.

The 2014-2015 base budget includes levels of funding developed using the established parameters. The outlined parameters are applied to most operating budget lines to develop and initial starting point or base budget. These assumptions have proven to be fairly effective for developing a two year operating plan. Since the 2013 second quarter projection (for year 2014) was used as a starting point for 2014 base development, the annualized impacts of changes approved in 2013 were incorporated into the biennial operating budget.

Base Budget Refinement

The next step was to refine the initial base budget levels as well as updated revenue estimates. 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.

Adjustments have been made to accurately reflect the existing levels of budgetary allocation for personnel and other costs. Additional base adjustments were factored into the initial starting budget, totaling \$24.2 million in 2014 and \$25.6 million 2015, and incorporated into the permanent level of funding in most cases. These adjustments were changes implemented to refine the base budget allocations and more accurately reflect a zero-based approach to budget development. Operational budget adjustments were made for various changes including:

- Add impact of staffing requests approved in 2013 that were not included in the second quarter projection or refinement of budgeted staffing level based on projected FTEs as of second quarter
- 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

Summary of 2014-2015 Budget Adjustments

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.

Budget adjustments for requests for additional funding were submitted by County agencies for new programs, expansion of program scope, increased personnel and related costs, new equipment or technology and restoration of funding for previous year budget cuts. Recommendations for funding were reviewed based on availability of funding and the fit within budget priorities as defined in the existing budget policy of the County. Budget requests for Executive agencies that had a General Fund or HHS Levy Fund were generally not recommended if additional funding was required or offsetting reductions were not identified. The recommended budget includes \$600,000 in additional budget requests in 2014 and 2015.

Budget adjustments were also required to balance ongoing operating expenditures with anticipated revenue over the biennium. The General Fund and HHS Levy Fund budgets include the impact of targeted reductions to various program budgets to achieve structural balance within the 2014-2015 biennium. The targeted budget reductions were contained to Executive agency budgets and total \$12.1 million in 2014 and \$16.3 million in 2015 for the General Fund and HHS Levy Fund combined.

Targeted reductions were recommended along several budgetary areas within Executive agencies:

- Removal of budget allocation for vacant or new positions not filled in 2013

- Reduction in overhead and administrative costs in various Executive agency budgets
- Including impact of reduction of various Jail Operating costs through efficiencies
- Redesign of the County's building costs to capture the savings associated with disposition of buildings and move to new leased headquarters building.
- Identification of other sources of revenue to reduce General Fund subsidies to other programs

The details of the 2013 budget updates can be found in the Departmental Summaries in sections III-VI.

2013 Third Quarter Update

A review of the 2013 operating budget was completed at the time of budget development. The third quarter estimate reflects projected results that are very similar to what was reported as of second quarter. The third quarter update is less intensive than the second quarter review and is used to fine-tune assumptions used to craft the 2014-2015 budget. Overall the projected operating deficit in the General Fund has decreased to \$11.0 million (down from \$15 million in second quarter). The estimated draw of Levy Fund reserves (\$9.9 million) and use of Public Assistance Fund cash resources (\$10.7 million) to offset revenue declines have remained unchanged since second quarter.

2013 Third Quarter Summary of Results (\$ millions)

2013 3rd Quarter Summary (millions)	2013 Current Budget	2013 3rd Quarter Estimate	Variance From Budget	% Variance From Budget	2014 3rd Quarter Estimate
General Fund					
Revenue	\$360.2	\$362.9	\$2.7	0.7%	\$374.9
Expenditures	\$386.4	\$373.9	-\$12.5	-3.2%	\$376.2
<i>Result of Oper.</i>	(\$26.2)	(\$11.0)	\$15.2	58.0%	(\$1.3)
HHS Levy Fund					
Revenue	\$206.9	\$204.5	-\$2.4	-1.2%	\$203.7
Expenditures	\$213.1	\$214.4	-\$1.3	-0.6%	\$215.4
<i>Result of Oper.</i>	(\$6.2)	(\$9.9)	(\$3.7)	59.7%	-\$11.7
All Funds					
Revenue	\$1,299.3	\$1,288.4	-\$10.9	-0.8%	\$1,284.5
Expenditures	\$1,338.5	\$1,265.9	\$72.6	5.4%	\$1,273.0
<i>Result of Oper.</i>	-\$39.2	\$22.5	\$61.7	157.4%	\$11.5

Based on updated third quarter results as of September 2013.

- General Operating Fund revenue is \$12.9 million lower than 2010 due to one-time revenue in the prior year and decreases that are projected for some revenue sources in 2013. The revenue figures are inclusive of the additional sales tax levied for the Medical Mart Convention Center project.
- The 2013 revenue estimate is \$2.7 million higher than the budget and is on track to exceed the budget by 0.7%. The estimate for sales tax (3.7% over budget) and charges revenue is driving the modest surplus.
- Expenditures, estimated at \$373.9 million are \$12.5 million or 3.2% lower than the current budget and include surpluses in operating budgets as well as the impact of consolidating the County IT budget into the General Fund and planned one-time expenditures (\$5.5 million).

- The projected operating result has improved since second quarter with the expected use of reserves of \$11.0 million now anticipated. That result had been identified at \$15 million in second quarter.
- The projected Health & Human Services Levy Fund revenue estimate of \$204.5 million is \$2.4 million lower than budget. Property tax collections for the voted levies have exceeded the expected collection rate in 2013 but total revenue has remained stagnant.
- Levy Fund revenue has declined by over \$39.0 million or 16.1% since 2009. The decrease is a direct result of declining assessed property values coupled with the revenue loss from the State as a result of budget cuts that went into effect the second half of 2011.
- HHS Levy Fund expenditures are over budget by 0.6% due to slightly lower levels of transfer payment reimbursement revenue available to offset the need to use Levy funding for HHS programs.
- On an All Funds basis, operating revenue is \$27.4 million or 2.1% lower than the 2013 budget estimate. Most of the decrease is related to declines in intergovernmental revenue and miscellaneous revenue sources.

2014-2015 Revenue Assumptions

Since 2008, the County has seen its investment income decline by more than 85%, coupled with cuts in state and federal support. Reductions in the state's local-government fund and the elimination of the tangible personal property tax have contributed to significant loss of revenue. For example, the county's local-government fund allocation was \$33.7 million in 2011 and is expected to total just \$16.9 million this year, a loss of 50%.

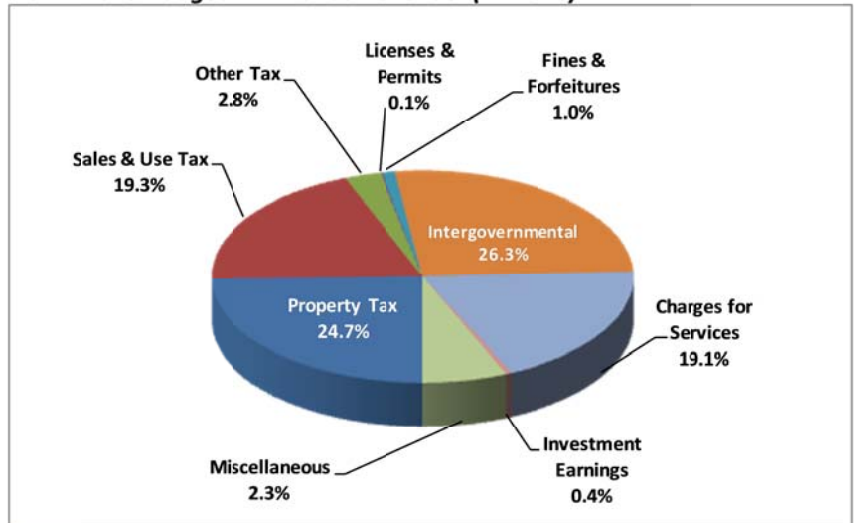
The revenues that support county operations are expected to be stable overall in 2014 and 2015 with a 6.1% reduction in intergovernmental revenue sources that is contained to one specific area. There is also continued modest growth expected in a few key sources such as sales tax (2.75%) and in charge revenue (1.4%).

This outlook is based on a realistic assessment of local economic conditions and analysis of current revenue trends.

The funds available to finance operations are limited to the revenues the County collects each year. The projected trend of revenue streams is a substantial driver of what resources are available in the next budget cycle. Even with some positive signs in current trends General Fund revenue has only now reached the levels compared to the period before the economic downturn that began in 2008.

All Funds and General Fund revenues are estimated at \$1.27 billion in 2014 and \$1.27 in 2015. The estimate for General Fund and Levy fund combined is \$577.4 million in 2014 and \$580.0 million in 2015. All Funds revenue for 2014 is \$4.7 million, or 0.4%, lower than the 2013 estimate. A large portion of the decline is attributable to the decrease in federal and state revenue and a reduction in property tax revenue (\$4.7 million) resulting from expiration of a voted property tax tied to jail bonds issued in 1993. The growth in some sources including sales tax and fee revenue has been offset by a loss of approximately \$17 million annually in local government funding from the State of Ohio. The continuation of slow economic growth will moderate real increases in sales tax collections to around two percent while most other revenue sources will continue to remain flat.

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 Earning	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%

The two main forces effecting most County revenues are economic factors and levels of governmental support. The economically sensitive sources are directly pushed up or down over time based on conditions in the local economy. The steep decline in sales tax in 2009 (10.9% decrease) and decline of real estate charges are demonstrative of how the last recession had left its mark on County revenue streams. Economic conditions also place pressure on State funding streams including Local Government Fund dollars and State public assistance allocations. These factors combined with Federal and State budgetary policy decisions impact the flow of dollars to Cuyahoga County.

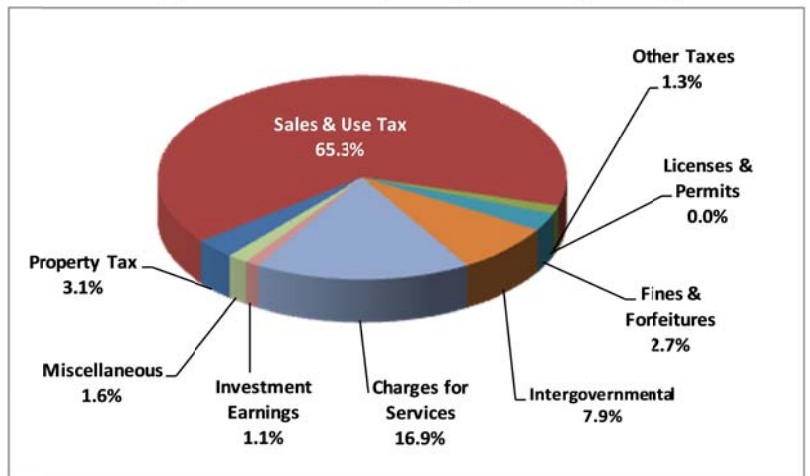
Intergovernmental revenue (transfer payments) budgeted for health and human services programs is \$1.5 million higher than the estimated allocation for 2013. The budget for revenue over the biennium is based on expected allocations of Federal and State revenue communicated to the County via the Ohio Departments of Jobs and Family Services. The 2014-budget includes a \$1.5 million reduction in Title IV-E revenue. The loss of Title IV-E dollars is somewhat offset by \$3.4 million increase in TANF funding available for administering public assistance programs. The administration expects to utilize some portion of the new revenue and use the remainder to reduce reliance on Levy funding for related programs.

Other non-General Fund revenue estimates and trends are described in greater detail within the respective departmental summaries contained in Sections II-V and in Appendix B. Trends associated with major General Fund revenue sources are provided in the following section.

General Fund Revenue Sources

- Property Taxes** - Property Taxes are expected to generate \$13.9 million in 2014 for the General Fund. The estimate for both General Fund and Health & Human Services Levy (\$191.4 million) includes the impact of the 7.2% decrease in assessed valuation and flat collection rates in 2014 and 2015. The inside millage is expected to generate \$ 37.7 million in 2014 to be split between operations and debt service. Property tax revenue available for operations will decrease by \$4.3 million in 2015 to fund ongoing requirements for general obligation debt service.
- Sales & Use Tax** - Sales and Use Tax, the largest General Fund revenue source at 65.3% of revenue is

2014 -2015 Budget - General Fund Operating Revenue (millions)



Revenue Source	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	'013 - '14 Change	'013 - '14 % Change
Property Tax	\$14.8	\$13.9	\$13.9	\$9.6	\$0.0	0.0%
Sales & Use Tax	226.8	235.9	242.5	\$248.0	\$6.6	2.8%
Other Taxes	3.23	4.03	4.8	\$5.1	\$0.8	19.9%
Licenses & Permits	0.1	0.1	0.1	\$0.1	\$0.0	0.0%
Fines & Forfeitures	9.3	9.9	10.2	\$10.3	\$0.3	3.0%
Intergovernmental	36.4	29.3	29.4	\$29.7	\$0.1	0.3%
Charges for Services	53.2	59.8	63.7	\$63.7	\$3.9	6.5%
Investment Earnings	6.6	3.4	3.6	\$4.7	\$0.2	5.9%
Miscellaneous	5.3	6.7	5.9	\$5.8	-\$0.8	-11.9%
Total Revenue	\$355.7	\$363.0	\$374.1	\$377.0	\$11.1	3.1%

estimated at a total of \$242.5 million in 2014 and \$248.0 in 2015. This amount includes the 0.25% additional sales tax component and represents a 2.75% increase over the 2013. The 2015 estimate is 2.25% over the 2014 budgeted amount. The current 2013 estimate for sales tax is tracking 3.7% over the 2012 year to date actual. The rate of growth is assumed to decrease to an annual rate of 1.5% after 2015.

- **Investment Earnings** - estimated at \$4.1 million in 2014 and based on the reinvestment of a substantial portion of the portfolio at 0.75%-1.00% rates over the next two years. Short-term rates are expected to remain persistently low and will result in meager returns for at least two more years. The budget assumes short-term rates will pick up after 2015 and interest earnings will increase in subsequent years.
- **Charges for Services / Fines** - General Fund charges for services are expected to increase by \$3.9 million (6.5%) in 2014 and will increase by about 3% in future years. The budget estimate assumes charges and fees related to real estate transactions will track at an average increase of 5% as the local housing market will begin to show signs of improvement over the next three years. The other major change is due to the shift of IT and other administrative charges to the indirect cost plan accounting for about \$1 million in internal charge revenue to the General Fund.
- **Intergovernmental and LGF** – 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. The 2015 and 2016 estimates assume a slight 1.5% growth of this allocation of revenue. Sources including property tax reimbursements from the State are held at a constant level in all three years of the budget estimate. The revenue received for Public Defender reimbursement is increasing by \$500,000 as a result of the new 40% reimbursement rate approved by the State of Ohio.
- **Other Sources** –The 2013 estimate includes flat levels of miscellaneous sources without the one-time payments realized in 2012. The collections of the 1% bed tax are anticipated to grow by 6.5% in 2014 and 2015. Casino Tax revenue is reflected in a separate fund and is expected to generate about \$8.2 million in 2014 and 2015.

2014-2015 Recommended Expenditure Budget by Function

Cuyahoga County has to balance legitimate demands for crucial services with the need to preserve fiscal integrity through sustainable budgeting. To better understand how County dollars are used the expenditure portion of the budget is presented for All Funds and the General Fund by functional areas of government.

The General Fund biennial budget excluding the Health & Human Service Levy Fund is budgeted at \$373.4 million and \$376.3 million in 2014 and 2015 respectively. The recommended budget for 2014 is flat compared to the (-0.3%) 2013 estimate. The Health & Human Service Levy Fund budget for 2014 is \$211.6 million with expenditures budgeted at \$2.7 million or 1.3% lower than the 2013 estimate. The combined General Fund and Health & Human Service Levy Fund expenditures are \$3.8 million or 0.6% lower than the 2013 estimate. The All Funds expenditure budget for 2014 of \$1.28 billion is 1.4% or \$18.3 million higher than projected 2013 expenditures. The 2015 budget for all County funds is flat with a slight 3.1 million decrease proposed.

Health and Human Services

The Health and Human Services function is the County's largest expenditure and represents 44% of the total All Funds operating budget (Social Services and Health & Safety combined). The 2014-2015 recommended budget for HHS Levy Fund uses is \$2.8 million lower in 2014 and \$7.9 million lower than the 2013 estimate. The majority of the decreases are attributable to recommended reductions in Levy fund allocations to HHS programs. The initial base budget was reduced by \$5.3 million and \$9.8 million in 2014 and 2015 respectively.

There are no new programmatic expenditure levels or increases in staffing above the base level of funding in the recommended biennial budget.

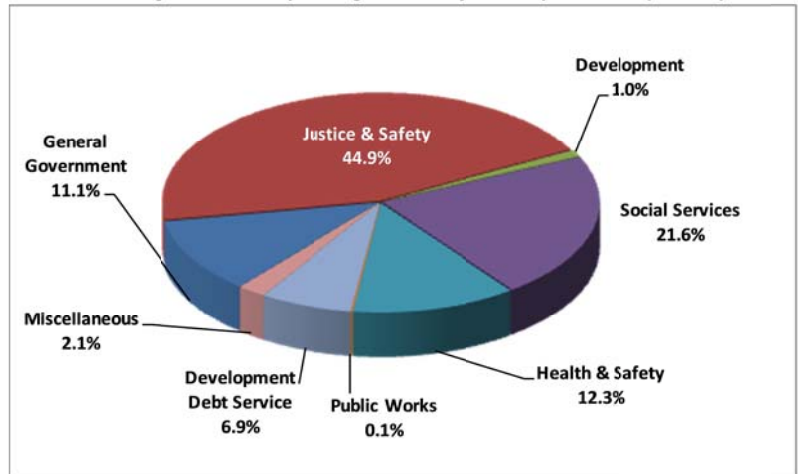
The County funds institutions that promote the health and safety of its citizens. Comprised of health maintenance, mental health, emergency assistance, alcohol and drug abuse, and animal control, the Health & Safety function (\$70.4 million) makes up 6.3% of the total 2014 All Funds operating budget. Most of the funding is budgeted in the Health & Human Services Levy Fund. The County provides ongoing support to two major institutions from Levy dollars. The 2014-2015 budget for these two areas is constant in the recommended budget. The MetroHealth Hospital System (\$36.1 million) provides quality medical and long-term care for all citizens, regardless of their ability to pay. The Alcohol, Drug Addiction and Mental Health Services (ADAMHS) Board (\$34.4 million) provides a network of prevention and treatment services to combat alcoholism and drug abuse among youth and adults and counseling and mental health services.

The remaining adjustments were made to various HHS operating budgets within the criteria described in *Summary of 2014-2015 Budget Adjustments*.

Justice and Public Safety

The recommended All Funds budget for Justice and Safety programs of \$303.7 million (2014) is 0.9% higher than the 2013 projected expenditures for this function. 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 significant areas of Public Safety and Justice are the Courts and the County Sheriff which total more than \$174.1 million or 46.6% of the General Fund operating budget. In addition to

2014 -2015 Budget - General Operating & HHS Levy Fund Expenditures (millions)

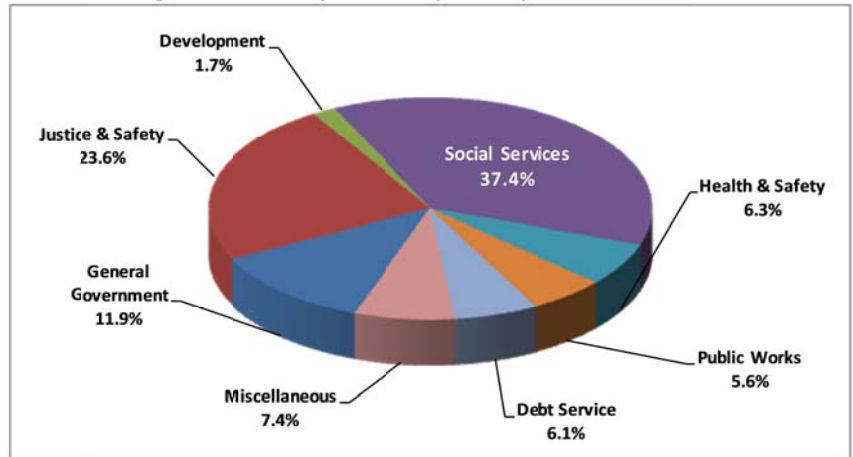


Expenditures	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	'13 - '14 Change	'13 - '14 % Change
General Fund Operating						
General Government	\$47.8	\$64.0	\$64.8	\$64.8	\$0.8	1.3%
Justice & Safety	235.8	238.6	240.1	242.1	1.5	0.6%
Development	5.0	6.5	5.6	6.4	-0.9	-13.8%
Social Services	7.1	10.3	8.9	9.0	-1.4	-13.6%
Health & Safety	1.5	2.6	1.2	1.2	-1.4	-53.8%
Public Works	1.6	1.2	0.6	0.6	-0.6	-50.0%
Development Debt Service	37.2	38.7	40.0	40.0	1.3	3.4%
Miscellaneous	15.1	12.6	12.2	12.2	-0.4	-3.2%
Total GF Operating	\$351.1	\$374.5	\$373.4	\$376.3	-\$1.1	-0.3%
HHS Levy Fund						
Justice & Safety	\$26.7	\$20.7	\$20.7	\$20.6	\$0.0	0.0%
Social Services	126.3	122.8	120.6	112.7	-2.2	-1.8%
Health & Safety	71.2	70.9	70.4	70.4	-0.5	-0.7%
Total HHS Levy Fund	\$224.2	\$214.4	\$211.7	\$203.7	-\$2.7	-1.3%
Total GF & HHS Levies	\$575.3	\$588.9	\$585.1	\$580.0	-\$3.8	-0.6%

Figures may vary due to rounding

General Fund dollars the Justice area is supported with \$20.7 million of Health and Human Services Levy funding in 2014. HHS Levy dollars are channeled to juvenile offender programs and human service related purposes in the justice system. The total combined Justice budget of \$303.7 million is essentially flat when compared to projected 2013 expenditures of 301.1 million. The proposed 2014-2015 budget for Justice and Public Safety represents a net increase of \$2.6 million after the net impacts of proposed adjustments (-\$4.9 million) are included in the final recommended budget.

2014 -2015 Budget - All Funds Expenditures (millions)



Expenditures	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	'13 - '14 Change	'13 - '14 % 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%

General Government and Administration

General government captures the general operating cost of county government and includes the budgets of the Administration, Fiscal Office, Public Works and Board of Elections. In the recommended 2014-2015 budget All Funds and General Fund general government expenditures are budgeted at \$153.4 million and \$64.8 million, respectively for 2014. The government operating expenditures (net of other uses) are \$1.2 million lower than the 2013 projection. The net decrease in 2014 and 2015 is the result of downward adjustments submitted for the Public Works (\$4.0 million) Department of IT (\$1.2 million) and various reductions to space charges in General Fund agency budgets as a result of the changing County space plan.

Economic Development

Spending in this functional area provides funding for a number of economic development programs geared at sustaining or improving the economic vitality of the County and encouraging small business development. The proposed operating budget includes \$5.7 million of General Fund Development spending in 2014 and 6.2 million in 2015. The amount of General Fund dollars devoted to economic development including support of debt service payments in support of development projects is \$40.8 million in 2014 and increases to \$41.4 million in 2015 or 11.1% of the total General Fund expenditures. See Budget Schedule III.

Additional County resources are being deployed through the Western Reserve Fund which will be capitalized with financing proceeds beginning in 2014. The 2014 budget for the fund is estimated at \$15 million which is reflected in the recommended budget. The biennial budget includes General Fund support of debt service (\$1.4 million) related to \$15 million of Western Reserve Fund project financing. The revenue for the Casino Tax Fund is included in the revenue estimate but no budget estimate has been included for program expenditures in the

biennial budget. It is expected that the resources available in the fund will be appropriated throughout the next biennium for uses permitted by the enabling ordinance.

Budgeted Expenditure by Object

The previous data presented the allocation of budgeted dollars by functional area based on what programs are implemented. Individual County operating budgets are allocated across broad expense categories or objects. The line-item budgets for each County agency reflect how budgeted allocations are utilized to accomplish programmatic objectives.

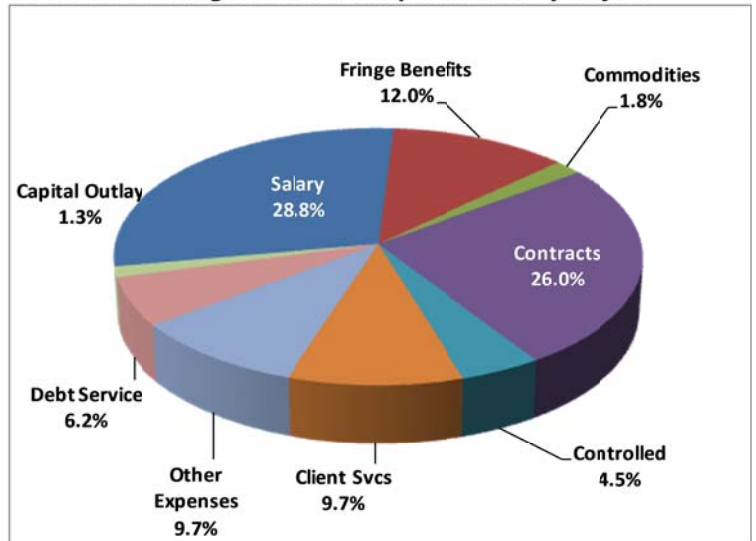
Agency budgets include line-item allocations for personnel expenses, contractual services, other expenses related to materials and administrative overhead costs.

- 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.

- The next major expense object is for contractual and client services. In 2014 the budget provides \$457.9 million or 35.7% of allocated resources to fund contracts and agreements for various services.

- The \$127.1 million component of this object grouping funds the various service provider contracts in for health and human service programs.
- 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.

2014 -2015 Budget All Funds Expenditures By Object



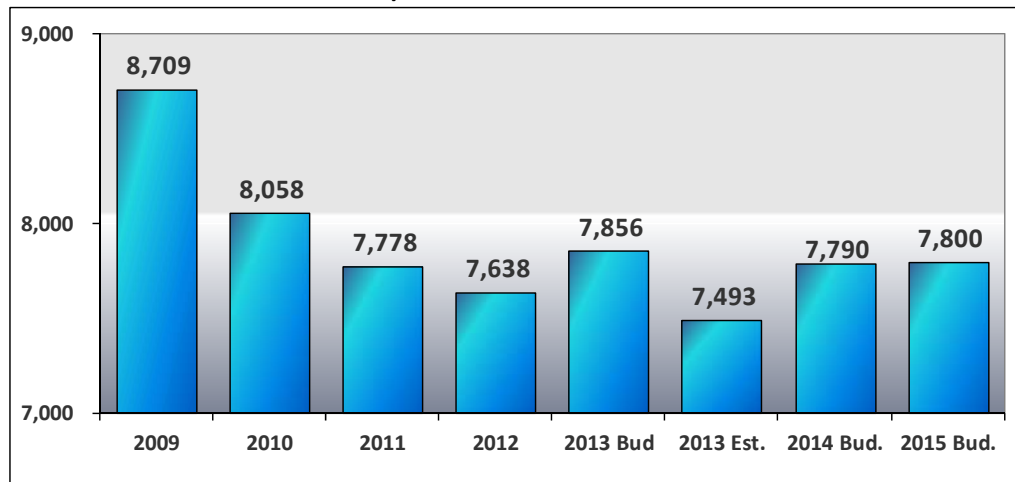
Expenditures (millions)	2012 Actual	2013 Est.	2014 Budget	2015 Budget	2016 Estimate
Salary	\$358.3	\$358.3	\$369.3	\$369.4	\$369.9
Fringe Benefits	\$148.8	\$148.8	\$152.6	\$155.1	\$157.9
Commodities	\$25.8	\$25.8	\$25.0	\$22.1	\$22.7
Contracts	\$309.0	\$309.0	\$330.8	\$335.1	\$333.9
Controlled	\$62.3	\$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

Budgeted Staffing Levels (FTEs)

The recommend budget includes an assessment of County-wide staffing levels based on projected full time equivalent levels - the budgetary measure of personnel levels. The actual hours worked (regular and overtime) are used to estimate the average staffing levels for the current year and make a comparison to the approved budgetary levels.

Staffing levels are budgeted at 7,790 FTEs in 2014 and are 66 or 1.0% lower than the 2013 budgeted level. Staffing levels in Executive agencies are budgeted at 1.1% lower than the 2013 budget and are 295 FTEs (5.8%) lower than the 2010 actual.

Staffing Summary by Function 2009-2015 *
Actual and Estimated Full Time Equivalents



Staffing by Function	2009	2010	2011	2012	2013 Bud	2013 Est.	2014 Bud.	Chg.2013-2014	2015 Bud.
General Government	1,290	1,185	1,101	1,147	1,156	1,102	1,179	23	1,179
Justice & Public Safety	3,424	3,250	3,192	3,120	3,157	3,083	3,185	28	3,185
Development	43	40	39	40	42	40	45	3	45
Human Services	3,556	3,200	3,090	2,990	3,089	2,936	2,990	(99)	2,990
Health & Safety	60	60	51	55	72	56	65	(7)	65
Public Works	336	323	305	286	340	276	326	(14)	336
Total FTEs	8,709	8,058	7,778	7,638	7,856	7,493	7,790	(66)	7,800

* 2013 FTEs based on projected hours worked.

- The lower budgeted staffing levels are a function of continued turnover in County Human Service agencies and continued elevated vacancy levels in other agencies including Public Works, Clerk of Courts, and the County Prosecutor.
- FTE levels for elected officials (Courts and Prosecutor) are projected to decrease by 19 from 2013 budgeted levels. The decrease from the prior year is attributable to employee retirements that occurred at the beginning of 2013. The increase in employee retirements was correlated with the changes to Ohio's pension system.
- The 2014 budgeted levels assume the effective impact of replacements of vacant positions depending on the factors present in the respective agencies. The full annualized impact of filled positions is carried into the 2014 and 2015 budget for staffing levels.

- The significant drop in FTE levels in 2011 from 2010 (-280 FTEs) is directly attributable to the reduction of almost 300 positions implemented by the County Executive in 2011. The associated savings and reduction hours worked are included in the 2012 actual FTE levels and carried through into the 2013 estimate and 2014-2015 biennial period.
- The number of actual positions (head count) in 2013 is approximately 528 below the actual count at the end of 2010. The current number of employees is a sample at a point in time and does not take into account vacant positions that are approved to be filled in the 2014 budget.

Fund Balances

The summary of operating results is presented in the following tables. The General Fund and Health and Human Service Levy Fund results are combined in the bottom portion of the table. The narrative on fund balances refers to the amounts in the following table.

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
Result of Operations	(\$26.2)	(\$11.0)	(\$1.3)	\$0.7	\$0.7	\$7.6
Ending Balance	\$101.6	\$139.5	\$116.6	\$114.6	\$101.7	\$96.0
Balance to Expenditure %	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
Result of Operations	(\$6.2)	(\$9.9)	(\$11.7)	(\$8.3)	(\$0.8)	(\$0.1)
Ending Balance	\$33.1	\$29.5	\$17.7	\$21.2	\$20.4	\$20.3
Balance to Expenditure %	15.5%	13.8%	8.2%	10.0%	10.0%	10.0%

(\$ millions)	Combined General & HHS Levy Fund					
	2013 Budget *	2013 Q3 Estimate	2014 Q3 Estimate	2014 Rec. Budget	2015 Rec. Budget	2016 Rec. Budget
Revenue	\$567.1	\$567.4	\$578.6	\$577.4	\$554.2	\$565.3
Expenditures	\$599.5	\$588.3	\$591.6	\$585.0	\$580.0	\$580.4
Result of Operations	(\$32.4)	(\$20.9)	(\$13.0)	(\$7.6)	(\$0.1)	(\$15.1)
Ending Balance	\$134.7	\$169.0	\$134.3	\$135.8	\$122.1	\$116.3
Balance to Expenditure %	22.5%	28.7%	22.7%	23.2%	21.1%	20.0%

* 2013 Current budget includes revisions to approved budget (R2012-0232) and prior year obligations projected to be expended in 2013.

General Fund Operating

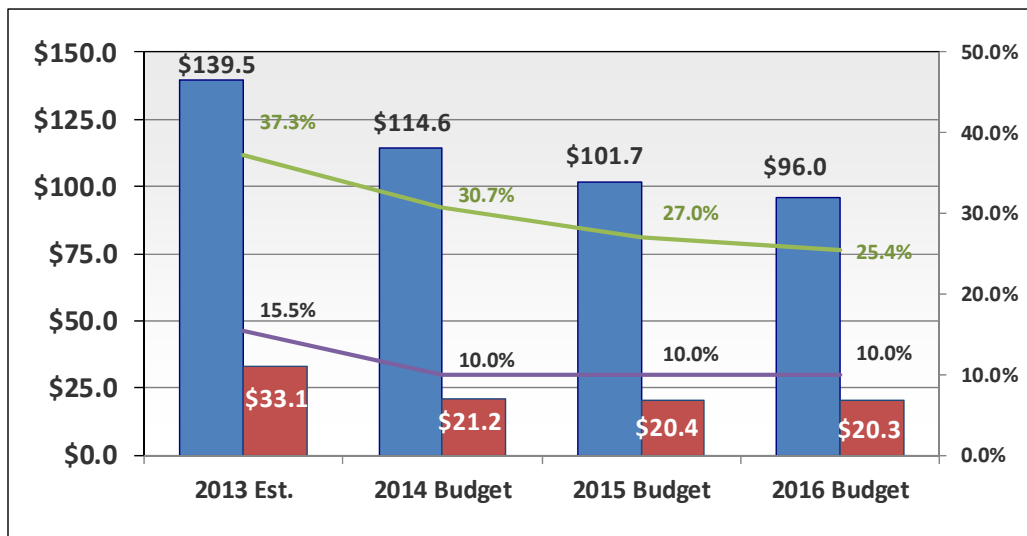
The biennial budget proposed includes a two-year operating surplus of \$1.4 million for the General Fund with both years of the biennium budgeted to have positive operating results. The General Fund 2013 ending cash fund balance is estimated at \$139.5 million (net of reserves), which at 37.3% of the estimated expenditure level is still above the reserve policy of maintaining a minimum 25% cash balance of the anticipated annual expenditures for that year.

The budget for the 2014 ending unrestricted balance (net of reserves) is \$116.6 million or 30.7% of budgeted expenditures. The County designates reserves from the General Fund balance to set aside resources for debt service and other financial obligations. The ending balances presented in the table above and the budget schedules are net of these reserves. The largest of the reserves are the \$11.0 million set aside for the 27th

payroll and the Global Center (formerly Medical Mart) operating reserve (\$11.8 million), Gateway bond guaranty (\$3.4 million) and reserve of dollars set aside for technology improvement in 2014 (\$1.0 million).

The dollars in excess of the required reserve will be utilized to make investments in technology and equipment and may also be used to leverage strategic initiatives including economic development. Use of excess reserves dollars will be designed in conjunction with the existing financial policy (O2011-0056). The 2014 budget includes a reserve tied to the General Fund commitment to fund up to \$8 million in Western Reserve Fund financing. **That reserve has been reduced to \$6.6 million now that up to \$1.4 million in General Fund support of the financing is included in the operating budget.**

General Fund / HHS Levy Fund - Projected Ending Balances *
(millions)



* Projected 2013 ending balance for General Fund is net of \$29.6 million in reserves on balance. The 2014 ending balance is net of \$25.5 million in reserves on balance.

The reasons to maintain a healthy cash reserve are:

- Most General Fund operating revenues are tied to resources that are sensitive to economic swings.
- Unexpected catastrophes or situations (lawsuits, disasters, etc.)
- Cash flow needs since the state reimburses expenses and advances are not received in a timely manner.
- Achievement of the lowest possible interest rates on long-term debt financing of County projects.
- State and federal budgets, which the County has minimal influence over, govern the amount the County receives each year in intergovernmental revenue which is the County's largest revenue source.

The County will continue to develop budget plans that preserve the stated level of reserves in the General Fund while making these investments. The General Fund ending available balance is budgeted to remain over the 25% policy limit through 2016. Cuyahoga has continued to pursue a policy of maintaining healthy reserves that compares very well with our peer counties and the State of Ohio and has been cited by all three credit rating agencies.

Comparison of Reserve Requirements	Cuyahoga County	Hamilton County	Franklin County ⁽²⁾	Montgomery County ^{(3) (4)}	State of Ohio ⁽¹⁾
Reserve Policy	25.0%	15%	35.9%	18%-20%	0.5%
Reserve Amount (\$MM)	\$ 135.8	\$ 23.24	\$ 116.8	\$ 25.6	\$ 287.1
Actual Reserve Percentage	30.7% ⁽⁵⁾	11.4%	38.4%	19.0%	0.9%

1) Percentage of prior years revenues. Any balance above 0.5% goes into the rainy day fund up to 5.0%.

2) 2013 Budget

3) 2012 Actuals.

4) Represents 2012 actual reserves divided by 2013 budgeted expenditures.

5) 2014 Recommended budget year

Health and Human Service Levy Fund

The Human Service Levy Fund ending balance is projected to decrease over the biennium if the continued absence of new revenue is assumed. The County will have to rely on using Levy Fund reserve dollars and offsetting public assistance fund resources to support HHS programs over the 2014-2015 budget period. The loss of revenue to the Levy Fund and to operating programs is the main cause of the funding imbalance.

The third quarter estimate for 2013 assumes a \$9.9 million draw down of HHS Levy Fund reserves and is net of an offset of \$10.7 million in Public Assistance Fund resources to minimize the impact of the funding requirement in the HHS Levy Fund. An ending balance reserve of 13.9% reserve rate is projected for 2013. 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.

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
Balance to Exp. %	17.5%	15.5%	13.9%	10.0%	10.0%	10.0%
PA Fund Cash Balance (Estimated)	\$ 43.9	\$ 31.9	\$ 33.2	\$ 26.2	\$ 13.2	\$ 7.1
Combined Balance to Exp %	37.1%	28.9%	27.9%	21.7%	15.5%	13.1%

The combination of using cash resources and reserve dollars will minimize the amount of budget reductions required in 2014 and 2015. **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 proposed plan for the Levy Fund includes the continual draw of this residual funding to help mitigate the loss of Levy Fund revenue and limit reductions to support of County programs.

The ending reserve in the Levy Fund in the recommended budget is kept at 10% through 2016, assuming that no new revenue is realized by way of a new voted property tax levy or some other source. The PA fund balance

will fall to just over \$6 million in 2016 if all levels of revenue and fund utilization remain at the levels proposed in the biennial operating plan.

Other Operating Funds

The 2014 All Funds ending fund balance budgeted at \$472.2 million (37.8%) and \$ 449.2 million in 2015 which includes dollars held in reserve for all other purposes including program funding, health insurance and claim payments (Fund 68A), workers compensation (Fund 68A) debt service (Fund 30A), Public Infrastructure (Funds 26A and 54A), equipment upgrades and other uses. The budgeted ending balance also includes the impact of capitalizing the Western Reserve Fund and the accumulation of Casino Tax Revenue into the new fund authorized by Council.

The ending fund balance in 2014 and 2015 are net of any reserves including those described for the General Fund. The ending balance on an all funds basis is not treated the same as the General Fund. Other fund reserves are maintained at different levels depending on the funding source and prescribed use. For example, the dollars held in reserve for payment of workers compensation claims (Fund 67A) can be exhausted if enough retroactive claims are identified. Any existing fund balance shortfalls are reviewed on an individual basis and special revenue and other non-General Fund accounts have to maintain a fund balance and operate within the resources available to that fund. *Information on individual fund activity and ending balances can be found in Schedule VI of the budget schedule section.*

Five Year Forecast

It is important to review the trajectory of the County's fiscal sustainability through the use of a five year forecast. Based on the latest iteration of the long term forecast the budget outlook is structurally through 2018 if assumed trends for revenue and expenditures are maintained. An analysis of the five year outlook of the General Fund and General Debt Service Fund combined is presented in the following summary table. Both funds have a strong linkage because:

1. Revenue from property taxes derived from the 1.45 inside millage are split between these funds.
2. Long-term General Fund dollars are used to support debt service on bonds secured with the general obligation pledge of the County.
3. The combined operating surplus or deficit of this pool of funding provides a benchmark for the ability to support additional long-term financing for projects and other investments using reserves or operating capacity.

Forecast Assumptions (2014-2018)

The five-year forecast was built based on the proposed revenue and expenditure levels for the 2014-2016 budget cycle as presented in the budget schedules in Section II. The revenue and expenditure trends for the out years of the forecast (2017-2018) were based on the following assumptions:

Five Year Budget Forecast Summary 2014 - 2018

General Fund and Debt Service Fund Combined

(\$ millions)

General Fund / General Debt Service Fund	2013 Estimate	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget
Operating Revenue	\$ 394.4	\$ 400.8	\$ 409.9	\$ 415.9	\$ 418.0	\$ 425.5
GF Expenditures	\$ 373.7	\$ 373.2	\$ 376.1	\$ 377.5	\$ 382.2	\$ 387.7
General Debt Service	\$ 40.4	\$ 32.5	\$ 32.5	\$ 32.2	\$ 29.5	\$ 29.5
Total Expenditures	\$ 414.1	\$ 405.7	\$ 408.6	\$ 409.7	\$ 411.7	\$ 417.2
Combined Operating Status	\$ (19.7)	\$ (4.9)	\$ 1.3	\$ 6.2	\$ 6.3	\$ 8.3

Revenue

- Property tax revenue held flat in 2014 and 2015 with a 1% increase in 2016
- Collections begin to rebound in 2016, the first collection year after the next appraisal
- Collections on the voted Jail bonds (\$5 million annually) term out in 2013
- 1.5% annual growth for sales tax in 2017-2018
- 5% growth in conveyance fee revenue in 2017-2018
- 51.5% growth in local government fund allocation starting in 2014
- Flat levels of collection of fines collected for court costs and other fees
- Increases in investment earnings as short-term rates increase 50-100 basis points in 2015 and beyond.
- A 4% increase in lodging tax revenue after 2016
- Flat miscellaneous revenue and reimbursements

Expenditures

- Salary expenditures assume flat levels of employment and 1.5% growth in wage levels
- Fringe benefit expenses increase by 3.0% in 2017-2018 to cover projected increased health care costs
- 2% inflationary increase for other expenses in future years
- Contractual and overhead costs are held flat in 2017-2018
- Debt service is based on existing bond payments and *assumes operating capacity will be set aside to support annual debt service on future capital improvement bond issuance.*

The resulting capacity for additional long-term financing or investments for other strategic initiatives like economic development is \$6.2 million in 2016 and 2017. The combined operating surplus stabilizes to an average of over \$6.0 million 2018 (net of one-time revenue). The last two years of the forecast are subject to change based on updated assumptions and changing levels in State support. *Refer to the Appendix section for the detailed five year forecast report.*

The 2014-2015 Biennial Budget Document

The 2014-2015 Executive's Recommended Biennial Budget document presents the proposed policies, programs and budgets at both summary and detail levels. The information contained within the document present the viewer a complete and accurate picture of the proposed budget updates and anticipated resources of the County and comply with budget reporting requirements set forth in the County charter (Sections 2.03).

The data presented in the Budget Summary narrative (Section I) and the departmental sections (Sections III-VI) are presented in report format in the Budget Schedules (Section II). Unless denoted staffing budget data are presented on a full time equivalent basis.

The Capital Plan Overview (Section VII) provides a high level summary of the proposed updates to the five year capital improvements for County Buildings and Infrastructure.

Other reports provided in the Appendix comply with Section 2.03 of the County Charter.