

# Cuyahoga County, Ohio 2016-2017 Biennial Budget Overview

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**Cuyahoga County Executive  
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Fiscal Office  
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Management**

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

- Balancing estimated resources with programmatic expenditures
- Addressing any projected structural imbalances in both the General Fund and HHS Levy Fund.
- Incorporating organizational changes and reallocations of funding recommended by the Executive.
- Allocating resources to fund existing and new strategic initiatives.
- Creating a sustainable capital improvement plan that reflects the priorities of the county without incurring long-term debt.
- Providing for continued resources for the hotel, Global Center for Health Innovation, and convention center through the segregation of the 0.25% sales tax.

## Parameters for 2016-2017 Recommended Budget

### The main components of the base budget for 2016-2017 included these assumptions:

- Revenue estimates are based on the trends used to project the 2016-2017 period as of completion of the second quarter review. Modifications to trends where employed were necessary. Sales tax revenues are anticipated to increase by 4% in 2016 and by 2.6% in 2017.
- The salary and fringe benefits are based on anticipated levels projected for 2015 and are increased 2% in 2016 and an additional 2% in 2017. The impact of pending hires and approved bargaining unit agreements are included in the base budget.
- Budgeted staffing levels were based on anticipated levels for 2015 including the impact of approved hires in process of being filled in 2015 as communicated during the 2015 update process.
- Departmental health care benefit costs have been increased by 3%, based on the current performance of the County's self-insurance program during 2015.
- The contractual, client services and other operating expenditures line item budgets were based on the budgeted 2015 expenditure levels. No inflationary parameter was applied to these lines.
- All self-funded and restricted fund budgets will be required to support on-going operations within the constraints of ongoing available resources and are required to conform to County budget priorities.
- Significant reductions to operating budgets were necessary for the line items funded by the General Fund and HHS Levy .

## Base Budget Refinement

The Office of Budget and Management (OBM) worked with County agencies to verify that base budgets accurately capture the approved allocation of resources for ongoing programs.

OBM processed adjustments to refine base budgets to accurately reflect ongoing and levels of funding. These adjustments include the following.

- Applying a 2%, or amount per collective bargaining agreement, cost-of-living increase to the agency salary budgets
- Adjusting contracts and client services to accurately reflect the ongoing appropriation levels for approved services
- Revising revenue or other operating expenditures to accurately reflect the approved level of funding for program budgets
- Realigning appropriations within an agency's divisions or budget categories to cover line-item shortfalls without any overall increase in the total agency budget

## Budget Reductions

After the base budget was established the Executive requested General Fund and Health and Human Services levy funded departments to identify 10% in savings or revenue enhancements, if possible without negative service implications. The savings would be used to provide for the following:

- Approximately \$40M during the new biennium for capital projects that, prior to 2016, would have been funded through debt issuance. These projects will be for maintenance of County-owned facilities.
- The Executive has implemented a more detailed reporting of the General Fund that separates the revenues generated from the 0.25% sales tax and its funding of the Global Center complex expenses. When those funds are separated, the result is a \$2.9M fund surplus for the General Fund for 2016 and a \$11.2M fund surplus in 2017.
- Fund surplus of \$0.7M for the Health and Human Services (HHS) Levy Fund in 2016 and \$0.2M for 2017.

Departments were encouraged to consider outside sources of revenues to preserve the General Fund and the HHS levy fund for mandatory and priority programs that do not have alternative funding options.

## 2016-2017 Strategic Initiatives

The funds that became available from the budget reductions will be used to fund critical programs and new strategic initiatives, which include:

	2016	2017
<b>General Fund</b>		
Property Demolition Fund	\$16,000,000	\$0
Various facilities improvements	\$15,124,969	\$15,649,034
Establish Innovation and Performance department	\$1,100,000	\$1,100,000
Airport manager and replacement fire suppression truck	\$225,000	\$100,000
Adult Safe Surrender	\$100,000	\$0
<b>HHS</b>		
Universal Pre-Kindergarten (UPK)	\$10,000,000	\$0
Job readiness training	\$3,000,000	\$3,000,000
Capital improvements to Jane Edna Hunter building	\$1,173,700	\$0
Capital improvements to Virgil E. Brown building	\$1,703,331	\$2,350,966
Infant mortality prevention program	\$500,000	\$1,000,000
SPARK parent visitation program	\$250,000	\$250,000
I.D. collaborative for homeless and indigent persons	\$170,000	\$170,000
Additional for Senior Transportation Connection	\$25,000	\$25,000

# Summary of 2016-2017 Recommended Budget

## 2016 - 2017 Proposed Budget General Fund and All Funds Summary

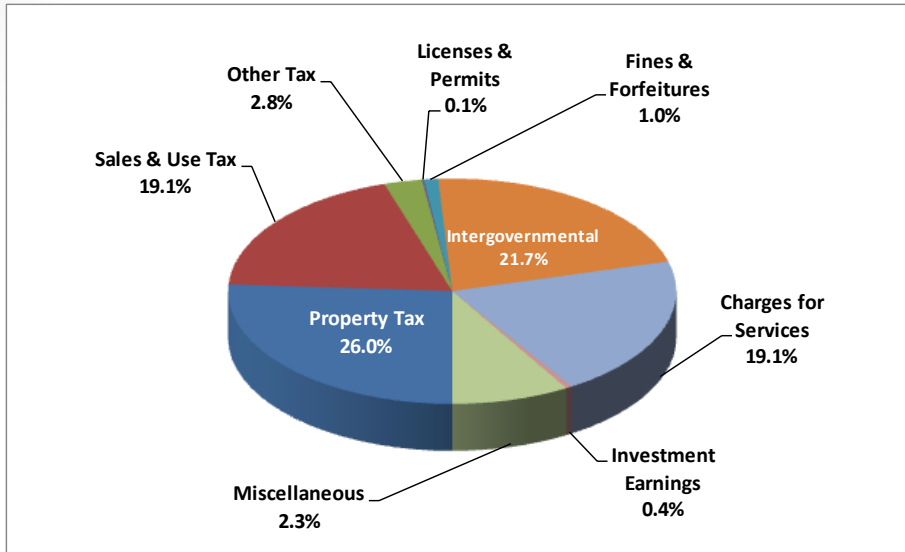
2016 Proposed Budget	General Fund Operating Net of 25%	General Fund Operating	Health & Human Services Levy	Combined General Fund	All Funds
Revenue Estimate	\$373.70	\$ 429.75	\$ 237.66	\$ 667.41	\$ 1,448.58
Total Expenditures & Uses	\$373.54	\$ 426.82	\$ 237.01	\$ 663.92	\$ 1,455.90
Operating Surplus (Deficit)	\$ 0.16	\$ 2.94	\$ 0.65	\$ 3.49	\$ (7.32)
Ending Balance	\$68.88	\$ 68.88	\$ 32.58	\$ 101.46	\$ 415.33
Balance to Expenditure %	18.4%	16.1%	13.7%	15.3%	28.5%

2017 Proposed Budget	General Fund Operating Net of 25%	General Fund Operating	Health & Human Services Levy	Combined General Fund	All Funds
Revenue Estimate	367.95	\$ 432.15	\$ 237.66	\$ 669.81	\$ 1,425.21
Total Expenditures & Uses	367.81	\$ 420.94	\$ 237.49	\$ 658.43	\$ 1,419.97
Operating Surplus (Deficit)	\$ 0.14	\$ 11.21	\$ 0.17	\$ 11.38	\$ 5.24
Ending Balance	68.39	\$ 68.39	\$ 32.75	\$ 101.14	\$ 408.86
Balance to Expenditure %	18.6%	16.2%	13.8%	15.4%	28.8%
Total Biennial Revenues	\$ 741.65	\$ 861.90	\$ 475.32	\$ 1,337.22	\$ 2,873.79
Total Biennial Expenditures	\$ 741.35	\$ 847.76	\$ 474.50	\$ 1,322.35	\$ 2,875.87
Biennial Operating Results	\$ 0.30	\$ 14.15	\$ 0.82	\$ 14.97	\$ (2.08)

- The 2016-2017 total General Fund operating budget of \$426.8 million and \$420.9 million (respectively) represents a **net increase over the current 2015 budget of \$22.9 million (2016)**.
- The recommended General Fund budget of \$185.8 million (2016) for Executive agencies is **3.8% higher** than the 2015 current budget and will remain relatively flat at \$185.1 million in 2017.

# All Funds Revenue - Composition

2016 -2017 Budget - All Funds Revenue (millions)



- The revenues that support county operations are expected to be stable overall in 2016 and 2017 with a 7.2% reduction in intergovernmental revenue sources since 2014

Revenue Source	2014 Actual	2015 Estimate	2016 Budget	2017 Budget	'15 - '16 Change	'15 - '16 % Change
Property Tax	\$345.6	\$373.4	\$ 373.1	\$ 373.0	-\$0.4	-0.1%
Sales & Use Tax	246.8	259.4	271.3	278.3	11.9	4.6%
Other Tax	48.5	43.9	35.7	43.4	-8.2	-18.6%
Licenses & Permits	1.9	2.0	2.0	2.0	0.0	0.0%
Fines & Forfeitures	12.6	13.3	14.8	14.4	1.5	11.4%
Intergovernmental	335.3	319.6	311.3	313.7	-8.4	-2.6%
Charges for Services	246.0	265.1	298.3	285.9	33.2	12.5%
Investment Earnings	0.9	4.5	5.6	6.6	1.1	23.2%
Miscellaneous	126.5	118.4	136.7	107.9	18.3	15.4%
<b>Total Revenue</b>	<b>\$1,363.9</b>	<b>\$1,399.6</b>	<b>\$1,448.6</b>	<b>\$1,425.2</b>	<b>\$49.0</b>	<b>3.5%</b>



## General Fund Revenue Trends

### General Fund Operating Revenue Summary

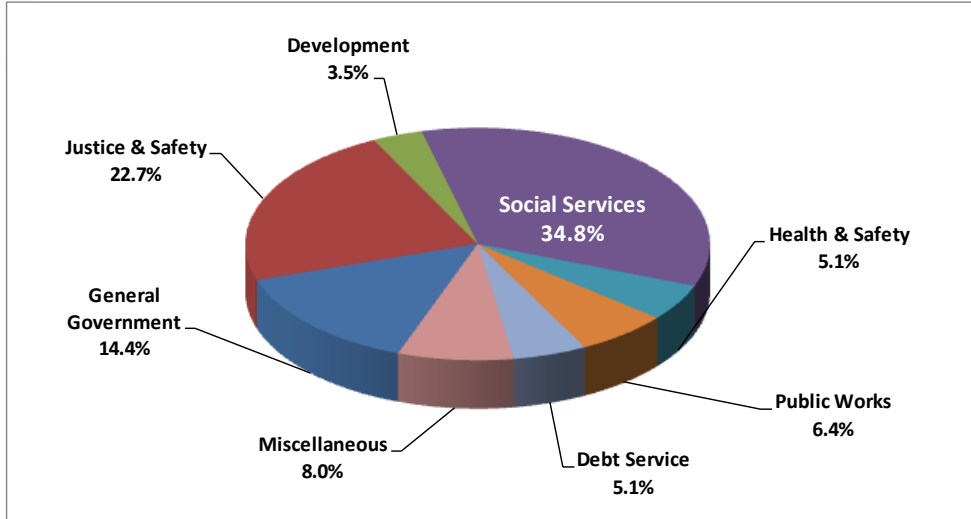
Revenue by Major Source 2012 - 2018

Revenue Source	2012 Actual	2013 Actual	2014 Actual	2015 Estimate	2016 Budget	% Chg From 2015 Est.	2017 Budget	% Chg From 2016 Budget	2018 Budget
Property Tax	\$14.8	\$13.9	14.0	\$14.2	\$9.2	-35.2%	\$9.2	0.0%	\$9.2
Sales & Use Tax	226.8	237.3	246.8	259.4	271.3	4.6%	278.3	2.6%	285.6
Fines & Forfeitures	9.4	9.4	10.6	10.1	11.2	10.5%	10.8	-3.5%	10.3
Intergovernmental	36.4	29.5	31.0	33.2	34.1	2.7%	34.1	0.0%	34.1
Charges for Services	53.2	56.8	61.0	59.1	73.7	24.7%	70.7	-4.1%	73.7
Other Sources	3.2	3.8	15.2	14.7	6.7	-54.5%	14.4	116.0%	17.2
Investment Earnings	6.6	0.0	0.5	4.1	5.1	25.7%	6.1	19.1%	7.1
Miscellaneous	5.3	7.4	13.5	8.0	18.4	130.7%	8.4	-54.4%	8.4
<b>Total Operating Revenue</b>	<b>\$355.7</b>	<b>\$358.1</b>	<b>\$392.6</b>	<b>\$402.8</b>	<b>\$429.7</b>	<b>6.7%</b>	<b>\$432.1</b>	<b>0.6%</b>	<b>\$445.7</b>

- Local Government Fund revenue will increase to \$18.4 million in 2016, but the total intergovernmental revenues decrease by \$0.9M.
- Sales and Use Tax, the largest General Fund revenue source at 63.1% of revenue is estimated at a total of \$271.3 million in 2016 and \$278.3 in 2017.
- Investment earnings are expected to grow by 25.7% as the Treasury department has written off almost all of its premiums on prior investments.

# Expenditures By Function

2016 -2017 Budget - All Funds Expenditures (millions)

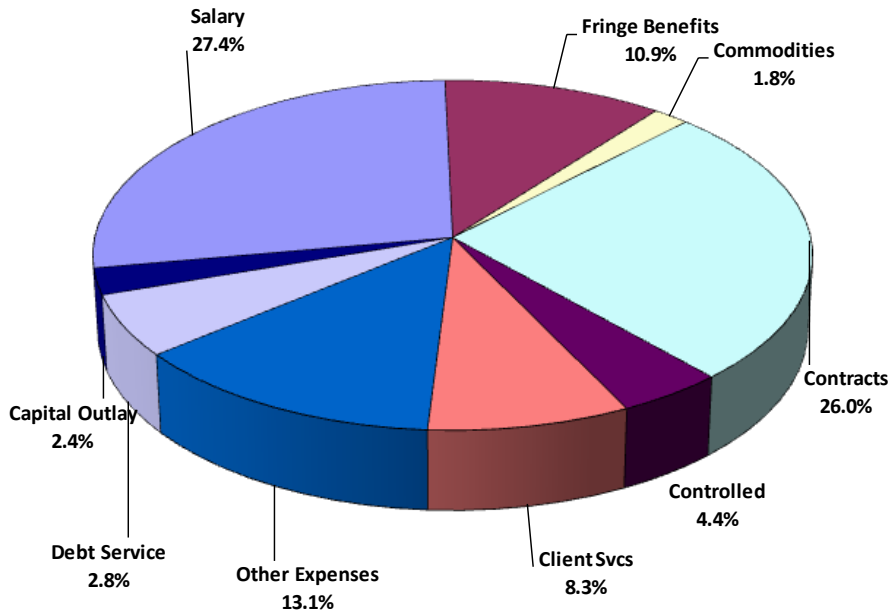


Expenditures	2014 Actual	2015 Estimate	2016 Budget	2017 Budget	'15 - '16 Change	'15 - '16 % Change
General Government	\$151.4	\$185.7	\$ 209.7	\$ 198.6	\$24.0	12.9%
Justice & Safety	302.5	\$341.7	\$ 329.9	\$ 331.3	-11.8	-3.5%
Development	21.2	\$41.4	\$ 50.9	\$ 29.5	9.5	23.0%
Social Services	475.6	\$497.1	\$ 506.3	\$ 499.4	9.2	1.8%
Health & Safety	92.1	\$94.9	\$ 73.8	\$ 73.9	-21.0	-22.2%
Public Works	98.3	\$93.4	\$ 93.5	\$ 84.4	0.1	0.1%
Debt Service	81.5	\$75.1	\$ 74.7	\$ 86.7	-0.3	-0.4%
Miscellaneous	118.5	\$102.0	\$ 117.0	\$ 116.0	15.0	14.7%
<b>Total Expenditures</b>	<b>\$1,341.1</b>	<b>\$1,431.2</b>	<b>\$1,455.9</b>	<b>\$1,419.9</b>	<b>\$24.6</b>	<b>1.7%</b>

- The Health and Human Services function is the County's largest expenditure and represents 34.8% of the total All Funds operating budget
- Public Safety and Justice system expenditure are significant to the County budget overall (22.7%) and comprise a majority of General Fund operating expenditures at over 56% of general operations
- The General Government operating expenditures increase by \$24.0 million above 2015 budget largely because of capital outlays that have been moved from reserves to operations

# Expenditures By Object

2016 -2017 Budget All Funds Expenditures By Object



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

- The 2016 All Funds operating budget devotes \$547.2 million or 38.3% of budgeted resource for salary and fringe benefit costs of employees across all County agencies.
- In 2016, the budget provides \$378.4 million or 26.0% of allocated resources to fund contracts and agreements for various services.
- Approximately 4.4% 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.

Expenditures (millions)	2014 Actual	2015 Est.	2016 Budget	2017 Budget	2018 Estimate
Salary	\$368.9	\$396.8	\$390.8	\$397.1	\$405.0
Fringe Benefits	\$143.1	\$157.0	\$156.4	\$156.6	\$159.5
Commodities	\$25.0	\$28.0	\$26.1	\$26.1	\$26.2
Contracts	\$324.1	\$399.0	\$378.4	\$370.3	\$370.0
Controlled	\$57.3	\$62.4	\$63.1	\$62.4	\$62.4
Client Svcs	\$122.9	\$127.0	\$119.2	\$119.2	\$119.2
Other Expenses	\$188.0	\$150.0	\$210.5	\$165.2	\$172.1
Debt Service	\$82.6	\$75.8	\$76.0	\$88.0	\$88.4
Capital Outlay	\$29.2	\$35.3	\$35.3	\$35.0	\$34.9
<b>Total Expenditures</b>	<b>\$1,341.1</b>	<b>\$1,431.3</b>	<b>\$1,455.9</b>	<b>\$1,419.9</b>	<b>\$1,437.8</b>

# General Fund & HHS Levy Fund Balances

## 2014-2018 Fund Balance Forecast

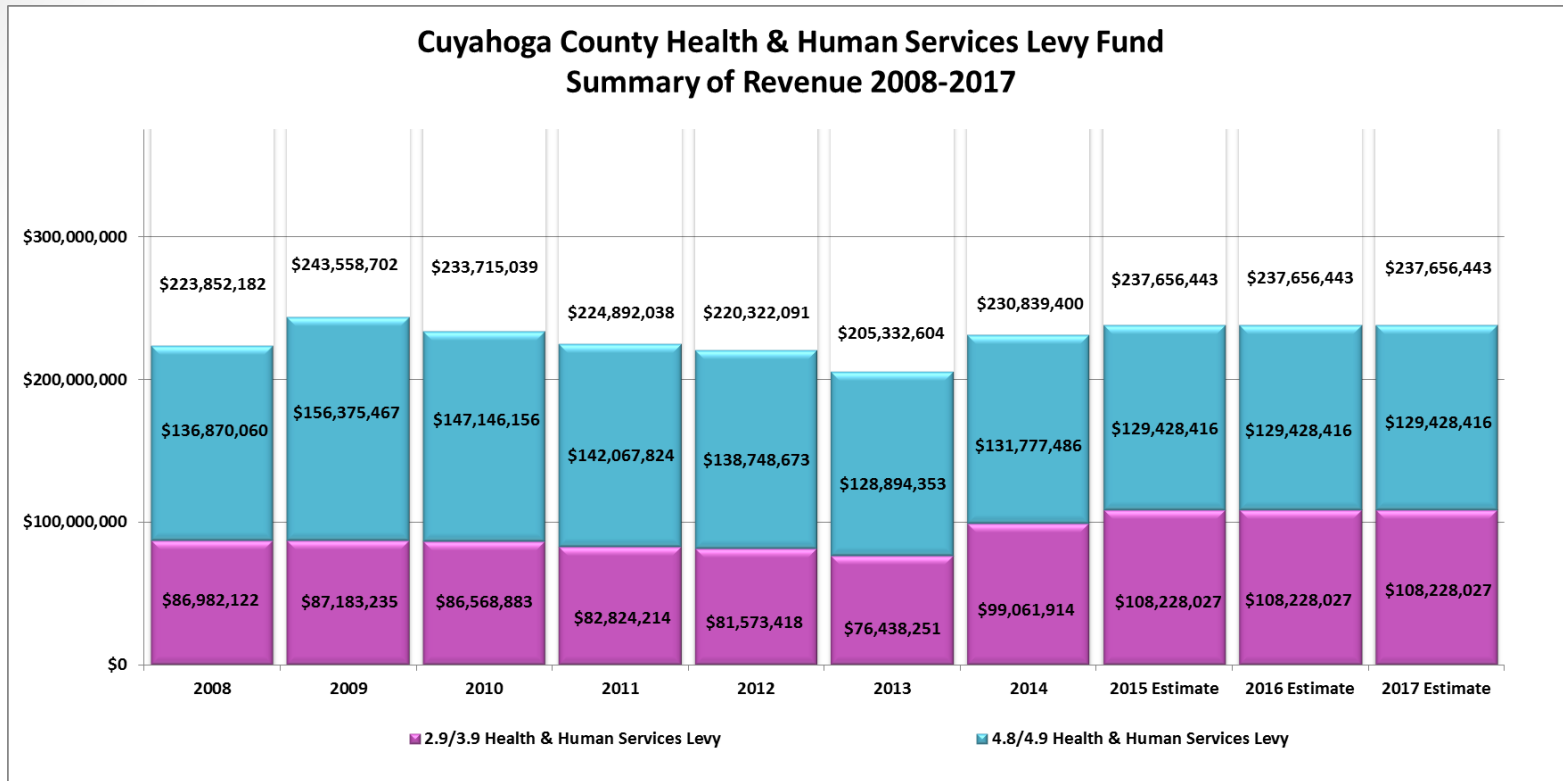
### General Fund and Health & Human Services Levy Fund Forecast

(\$ millions)	General Fund Operating					
	2014 Actual	2015 Budget	2015 Estimate	2016 Rec Budget	2017 Rec. Budget	2018 Rec. Budget
Revenue	\$392.7	\$390.0	\$402.8	\$429.8	\$432.1	\$445.7
Expenditures	\$380.0	\$404.0	\$408.1	\$426.8	\$421.0	\$443.6
Operating Surplus/(Deficit)	\$12.7	(\$14.0)	(\$5.3)	\$3.0	\$11.1	\$8.1
Ending Balance	<b>\$200.1</b>	<b>\$121.0</b>	<b>\$70.3</b>	<b>\$68.9</b>	<b>\$68.4</b>	<b>\$66.1</b>
<b>Balance to Expenditure %</b>	52.7%	30.0%	17.2%	16.1%	16.2%	14.9%

(\$ millions)	Health & Human Services Levy Fund					
	2014 Actual	2015 Budget	2015 Estimate	2016 Rec Budget	2017 Rec. Budget	2018 Rec. Budget
Revenue	\$230.8	\$235.0	\$237.7	\$237.7	\$237.7	\$237.7
Expenditures	\$232.4	\$235.0	\$239.4	\$237.0	\$237.5	\$239.3
Operating Surplus/(Deficit)	(\$1.6)	\$0.0	(\$1.7)	\$0.7	\$0.2	(\$0.5)
Ending Balance	<b>\$33.7</b>	<b>\$33.7</b>	<b>\$31.9</b>	<b>\$32.8</b>	<b>\$32.8</b>	<b>\$31.1</b>
<b>Balance to Expenditure %</b>	14.5%	14.3%	13.3%	13.8%	13.8%	13.0%

- The total General Fund is structurally balanced through 2016. The ending balance is net of necessary reserves and is expected to be 16.1% of total operating expenses at the end of 2016.
- The ending balance in the HHS Levy Fund is held at 13.8% by incorporating budget reductions and utilizing cash resources from the Public Assistance Fund and the Levy Fund Balance.

## HHS Levy Fund History



- HHS Levy Fund revenue peaked in 2009 at \$243 million. This was prior to the deterioration in property values and State revenue reductions
- The passage of the proposed 3.9 mill levy in 2013 increased total Levy Fund revenue to \$237 million in 2015 – and is \$5.9 million (2.4%) lower than the peak level of 2008

## HHS Levy Fund Outlook

Health and Human Services Levy Fund Summary	2014	2015 Current Budget	2015 Q2 Est.	2015 Budget R2014-0267	2016 Rec. Budget	2017 Rec. Budget	2018 Budget Est.
HHS Levy Fund Revenue	\$ 230.8	\$ 235.0	\$ 237.7	\$ 235.0	\$ 237.7	\$ 237.7	\$ 237.7
HHS Levy Fund Uses	\$ 232.4	\$ 235.0	\$ 239.4	\$ 234.0	\$ 237.0	\$ 237.5	\$ 239.3
<b>Operating Surplus (Deficit)</b>	<b>\$ (1.6)</b>	<b>\$ -</b>	<b>\$ (1.7)</b>	<b>\$ 1.0</b>	<b>\$ 0.7</b>	<b>\$ 0.2</b>	<b>\$ (1.6)</b>
<i>Public Assistance Fund Reserve</i>	\$ 3.0	\$ 9.0	\$ 9.2	\$ 14.2	\$ 14.9	\$ 5.7	\$ -
<b>Total Funding for HHS Programs</b>	<b>\$ 235.4</b>	<b>\$ 244.0</b>	<b>\$ 248.6</b>	<b>\$ 248.2</b>	<b>\$ 251.9</b>	<b>\$ 243.2</b>	<b>\$ 239.3</b>
<b>Net Change in HHS Levy Fund Reserve</b>	<b>\$ 1.4</b>	<b>\$ 9.0</b>	<b>\$ 7.5</b>	<b>\$ 15.2</b>	<b>\$ 15.6</b>	<b>\$ 5.9</b>	<b>\$ (1.6)</b>
Available HHS Levy Fund Balance	\$ 33.7	\$ 33.7	\$ 32.0	\$ 34.7	\$ 32.7	\$ 32.9	\$ 31.3
<i>Balance to Exp. %</i>	14.5%	14.3%	13.4%	14.8%	13.8%	13.9%	13.1%

- The 2016-2017 recommended budget includes a combination of budget reductions and, Public Assistance (PA) Fund cash to support critical ongoing service levels through 2016.
- The PA resources are intended to be spent and the useable balance in the combined fund reached a high point of **\$52.2 million** in 2014 and is projected to decline to \$23.4 million by the end of 2017.
- The ending reserve in the Levy Fund in the recommended budget is kept above 10% through 2018, assuming that no new revenue is realized.
- **The combined reserve balance (including PA Fund resources) is projected to be 14.7% in 2016 and 15.4% in 2017.**