



ARMOND BUDISH
Cuyahoga County Executive

TO: Members of County Council
 FROM: Maggie Keenan, Office of Budget and Management
 DATE: November 15, 2016
 CC: Armond Budish, County Executive; Dennis Kennedy, Fiscal Officer
 RE: 2017 Budget Update

On behalf of the County Executive, and in accordance with Chapter 701.01(D) of the County Code, the Office of Budget and Management is submitting a recommended update to the 2017 Adopted Budget (R2015-0209) for Council consideration.

The Update to the 2017 Budget is based on the revenue and expenditure estimates for 2017 as of the 2nd Quarter, updated as appropriated based on the most recent information available. The Update accommodates existing staffing and service levels and seeks to maintain the momentum of the many initiatives that support the overarching goals of:

- Job Opportunity and Growth
- Fairness and Equity
- A Government That Gets Results

The tables below summarize the recommended changes to the budgets for the General Operating and Health and Human Services Levy Funds. The calculation of the balance to expenditures backs out the reserves on balance.

General Operating Fund

	2017 Adopted Budget	2017 Recommended Budget	Adopted – Recommended Var.
Revenue	\$368,245,407	\$362,207,787	(\$6,037,620)
Expenditures	\$367,895,106	\$369,152,261	\$1,257,155
% Bal. to Expend.	21%	25%	

General Fund (incl. 0.25%)

	2017 Adopted Budget	2017 Recommended Budget	Adopted – Recommended Var.
Revenue	\$432,439,380	\$433,786,625	\$1,347,245
Expenditures	\$421,022,356	\$422,859,512	\$1,837,156
% Bal. to Expend.	18%	33%	

Health & Human Services Levy Fund

	2017 Adopted Budget	2017 Recommended Budget	Adopted – Recommended Var.
Revenue	\$237,656,443	\$231,002,777	(\$6,653,666)
Expenditures	\$237,622,829	\$230,380,015	(\$7,242,814)
% Bal. to Expend.	19%	24%	

General Operating Fund

The recommended General Operating Fund budget totals \$369.2 million. The 2017 budget is less than the revenue estimate of \$362.2 million by \$6.9 million. This operating shortfall can be attributed to one-time expenses including:

- \$5.5 million subsidy to the Economic Development Fund (Department of Development)
- \$1.1 million for the cost of the \$15 minimum wage special election in the City of Cleveland (Board of Elections); this expense will be reimbursed in 2018.

The \$47.3 million decrease in expenditures from the 2016 estimate (as of 3rd Quarter) is driven by:

- No budgeted subsidy to the Property Demolition Fund in 2017. Consistent with the original budget, the General Fund will support the County's Demolition Program in 2016 (\$15.2 million) and 2018 (\$8 million), but not 2017.
- A decrease in the subsidy to the Economic Development (ED) Fund from \$13 million in 2016 to \$5.5 million in 2017. The future year estimates do not reflect a General Fund subsidy to the ED Fund.
- A decrease in capital project expenditures: the 2016 estimates include \$23 million for two large projects at the Huntington Park Garage and the County Airport.

The estimated ending cash balance in the General Operating Fund after adjusting for the reserves on balance is \$91.3 million, which is 25% of total expenditures. This adheres to the best practice of maintaining a reserve balance equal to 20-25% of expenditures in the main operating Fund.

O2011-0056 requires a minimum cash balance in the General Fund – which includes both the General Operating Fund and the 0.25% - equal to 25% of total expenditures. The recommended budget reflects an ending cash balance in the General Fund of 33%.

Health and Human Services Levy Fund

The recommended Health and Human Services Levy Fund budget totals \$230.4 million. This is an increase of \$8.3 million from the 2016 estimate (as of 3rd Quarter). This increase is reflective of:

- The transfer of eligible expenses from the General Fund to the Health and Human Services Levy Fund (discussed below)
- New funding approved for initiatives in the Prosecutor's Office and Public Defender's Office (discussed below)
- An increase in revenue generated from the Public Assistance allocations in 2016 that is not assumed to remain as high in 2017. HHS revenue will be monitored and updated throughout the year and the projected subsidies adjusted, as appropriate.

Levy revenue is expected to remain relatively flat from 2016 at \$231 million, which results in an operating surplus of approximately \$625,000. The estimated ending cash balance totals \$54.6 million, which is 24% of total expenditures. **O2011-0058** requires a minimum cash balance in the Levy Fund equal to 10% of total expenditures.

Budget Updates

This Update includes additional funding for several new initiatives and positions that are offset by reductions in staffing levels and expenditures elsewhere in the budget:

- **Board of Elections - \$1.1 million** – Funding for special election in the City of Cleveland for the minimum wage. The General Fund will be reimbursed for these costs by the City in 2018.

- **Communications - \$100,000** – Supports a new Internal Communications Specialist position and a rate change for an existing employee to coincide with an increase in responsibility. With this additional funding, the Department will be able to increase employee engagement and increase the brand alignment. 2017 initiatives include the implementation of an employee survey (in cooperation with the Department of Human Resources), the development of an internal communications plan, and a redesign of the County’s intranet. Also included is \$18,300 in non-personnel costs related to brand management.
- **Development - \$425,000** – Supports two new positions – one to manage the County’s Loan Portfolio and the other involved in business attraction - as well as funding to support the cost of a part-time FTE to manage the Community Development Supplemental Grant (CDSG) Program in the Casino Fund. Funding for these personnel costs comes from the Economic Development Fund and CDBG Funds (Portfolio Manager), the General Fund (Business Attraction), and the Casino Fund (CDSG Administration). Additionally, the budget for Development includes \$20,000 to upgrade the Department’s software systems.
- **Human Resources - \$1.1 million** - Supports costs associated with Countywide employee training (consulting, materials) totaling \$600,000, temporary staffing agency services to fill in for employees on short and long-term leave totaling \$100,000 and additional consulting services relative to: ERP (\$100,000), performance pay (\$125,000), paid leave (\$50,000). Additional funding has been provided to support an employee recognition event and employee engagement activities (Books@Work, Talk with the Executive, etc.).
- **Prosecutor’s Office – \$420,000** – Supports the continued work of the DNA Rape Kit Task Force to eliminate the backlog of untested rape kits. Specifically, this funding will support investigators in the Prosecutor’s Office, enabling the Office to complete the investigations by April 2021 (estimated) which is a year and a half faster than current staffing levels would allow. The Administration recommends funding this request from the County’s Health and Human Services Levy Fund.
- **Public Defender’s Office - \$250,000** – Supports four new positions, the upgrade of a paralegal position, and salary increases for the investigators to be consistent with the investigators in the Prosecutor’s Office as required by OAC 120-1-06. The new positions include:
 - Network Administrator – The Public Defender’s Office has a staff of 115 FTEs and is implementing a new case management system but does not have a dedicated staff person to provide IT support. This position will be shared between the County (85%) and Municipal (15%) divisions and all expenses are reimbursed by the State Public Defender at the rate of 48%.
 - Attorneys (2) – Two new attorneys will be hired to implement a pilot project in Juvenile Court aimed at collecting and enforcing the statutory requirement of collecting child support when a change of custody takes place consistent with ORC 2151.36 in abuse, neglect, and dependency cases. Juvenile Court Administrative Judge Kirsten Sweeney has submitted a letter in support of this request.
 - Expungement Clerk – An expungement clerk will meet the increased workload relative to expungements. Through the efforts of both the Public Defender’s Office and the Office of Re-Entry, the number of expungements has jumped from 100 in 2015 to an estimated 2,000 in 2016. Given that a criminal record is a significant barrier to employment, this increase is signals good news for the overall re-entry efforts.

○ Targeted recommended reductions have been applied to the following budgets:

- A reduction of nearly \$700,000 in all three years to the General Fund budget in the **Fiscal Office**, which reflects the transfer of eligible expenses to the Real Estate Assessment Fund.
- The elimination of the \$300,000 General Fund subsidy provided to the Custody Mediation program in the **Department of Public Safety and Justice Services** in all three years. The contract amounts negotiated with

the two courts and CSEA have been less than the program's expenses, forcing a General Fund subsidy. The Recommendation in this budget is for PS&JS to negotiate contracts that recover all expenses as originally intended.

- A reduction of \$410,000 to the General Fund budget of the **Department of Development**, which represents the payments to the Greater Cleveland Sports Commission and Greater Cleveland Media Development. These payments have been budgeted in the Development Revolving Loan Fund.
- A reduction totaling \$1 million in the annual subsidy to the Cuyahoga County Regional Crime Lab in the **Medical Examiner's Office**. This reduction will need to be achieved either by increasing outside revenue (charges for services provided) or reducing expenditures.
- A \$400,000 decrease in the 2017 General Fund budget for **Juvenile Court**, which represents the cost of the contract with the Department of Public Safety and Justice Services for mediation services. Juvenile Court assesses a fee of \$34 on filings that is directed to the Alternative Dispute Resolution (ADR) Fund specifically for this service. Historically, the mediation contract was split between ADR and the General Fund but beginning in 2012, all but \$26,000 of expenses shifted to the General Fund. At the end of 2016, the balance in the ADR Fund is estimated to total more than \$900,000. This Update recommends reducing the General Fund allocation for ADR by \$400,000 in 2017 and \$200,000 in 2018 and 2019.
- A reduction totaling \$1.4 million in the General Fund subsidy to the **Capital Improvement Plan (CIP)** for 2017. The **Department of Public Works** will prioritize projects and submit a revised CIP for Council approval.
- A decrease of \$150,000 in the **Department of Public Safety and Justice Services** in the \$200,000 allocation for cash matches to firefighter grants. This is an allocation that has been in the budget for years, but rarely accessed and never exhausted.
- The elimination of the Vacancy Reserve in the **Miscellaneous Obligations** budget. Of the nearly \$3 million allocated in 2016, only approximately \$400,000 has been utilized. The Recommended Budget includes funding in the agency/department budgets to fill select critical vacancies.
- A reduction to the Contingency Reserve in the **Miscellaneous Obligations** budget. Only \$375,000 has been utilized in 2016 to cover a shortfall in Information Technology. The recommended contingency reserve in 2017 totals \$2 million.
- A decrease totaling \$65,000 to the **Office of ReEntry** which supports the re-entry docket in the Court of Common Pleas. The Court maintains a special revenue fund that derives revenue from probation supervision fees. This fund generates revenue totaling, on average, \$600,000 per year and had an ending cash balance in 2015 of \$1.8 million that is estimated to increase to \$1.9 million in 2016.

This Update includes the return of the following expenses from the General Fund to the Health and Human Services Levy Fund as allowable by law:

- The \$175,000 subsidy to the Family Justice Center in the **Department of Public Safety and Justice Services**
- The \$222,300 subsidy to the **Ohio State University Extension**
- The \$466,445 subsidy to the Treatment Alternatives to Street Crime program in the **Court of Common Pleas**