



DANE COUNTY

Kathleen M. Falk
County Executive

DATE: May 6, 2008

TO: Elected Officials
Department Heads

FROM: Kathleen M. Falk
Dane County Executive

RE: 2009 Budget Guidelines

The 2009 budget will be difficult, thanks in large part to the problem and events of the current year. The winter of 2007-08 was as expensive as it was miserable. In the Highway & Public Works Department alone, the frequent and heavy snows drove spending as much as \$1.7 million over budget (a dry November and December this year would help recoup some of that overage). Inflation is high with gasoline the most visible and expensive of increases in core commodities and goods. The economic slowdown has lowered projected revenue from the sales tax and construction-related permits in the range of \$726,000.

We have addressed these difficult circumstances proactively. Chuck Hicklin, our Controller, directed a refinancing of some of our debt with resulting savings of \$149,000 in 2009. Kathy Krusiec, Director of Emergency Management, worked very hard with several county departments so that we could claim \$140,000 in federal emergency reimbursement for the overtime costs associated with the Ash Wednesday snowstorm and interstate backup. Because of the slowing economy, we have very competitive bidding on some construction projects that will save several hundred thousand dollars in capital costs.

As I write this, we are not even at the halfway point in the year. So, our fiscal situation could worsen. I am concerned, for example, that not only will some revenues continue to fall and some costs increase but that the demand for services will increase, especially in the Human Services and Sheriff Departments. Economic hard times almost always lead to increases in some types of crime, spousal or child abuse, child neglect, AODA, and mental health issues, among other problems. Our Department of Administration (DOA) is working closely with many departments to help them keep on budget in these difficult circumstances. Our current and possible situations illustrate why the Sheriff, Judges, Clerk of Courts, District Attorney, County Board Chair, and I, with our staff, must implement the recommendations of the criminal justice system as efficiently and quickly as possible. I very much appreciate the work

of Sheriff Mahoney and Human Services Director Lynn Green in trying to control their budgets which more than ever are under a variety of stress.

Obviously, then, we have a lot of work to do in preparing a responsible budget for 2009. By responsible, I mean a budget that controls property taxes while preserving and improving human services, public safety, and our lands and waters. I believe we will need more options than ever to cut costs, achieve efficiencies, and generate revenue. To obtain these options, I am significantly changing the budget guidelines. Historically, I have set a target in dollars for each department, with several of the public safety departments exempted, to be achieved with some combination of cuts and non-General Purpose Revenue (GPR) increases. While this directive had advantages, it had some weaknesses. As examples, departments vary widely in their capacities to generate revenue or to absorb cuts; departments with high revenue potential do not have to examine other options; exempting some departments can be misunderstood to mean that other departments' missions are not important.

In addition to needing many well developed options, I have two other reasons for changing the budget directions. If the slowdown worsens and the demand for services increases, any target set now might not generate sufficient additional revenue or adequate reductions. Secondly, we are early in our process of implementing the recommendations of the criminal justice system audit. This implementation will have important and positive budget effects, but at this early stage, we cannot yet quantify those efforts in enough specificity for the 2009 budget.

The new budget requirements are a set of assignments each department will have to complete over the summer with the assistance of DOA. They are designed to provide the County Board and me with current, accurate information and a wide range of options regarding the funding, staffing, and activities of each department. I know all of us are committed to work strenuously and imaginatively to create a great 2009 budget despite difficult circumstances. I want to make sure we have the tools to do so.

The budget assignments for every department are as follows:

1. Carefully review each expenditure line. In the case of lines that are typically under spent, consider them sources of potential savings. In the case of lines that are fully or overspent, identify efficiencies (changed, combined, or streamlined processes, for example) that will get/keep them on budget or produce savings. DOA should, at a minimum, receive suggestions regarding every line that is under or overspent by 5%.
2. Carefully review every revenue line. The first key task is to explore the need or opportunity for increased revenue. In most cases, this effort will involve a close analysis of the costs of providing the service supported by the revenue. Occasionally, revenues consistently run under budgeted levels. In such instances, the department should identify steps to increase the revenue. Again, occasionally revenue consistently runs over budgeted levels. If that amount of revenue is likely to continue, the department must recommend the appropriate upward adjustment. In smaller departments, DOA should receive a comprehensive analysis of revenues with recommended changes; for larger departments, the report can be done on a divisional

basis. As part of both reports, departments can request the reallocation of revenue from typically under spent expenditures to those that run over budgeted amounts.

3. Explore new revenue opportunities. In general, a new revenue opportunity will a) be tied to the provision of a new service or amenity; b) a change in technology or marketplace; or c) the development of a new revenue source to claim on existing services. As examples of the first, the Land & Water Resources Department saw the demand for disc golf and has added courses at a couple of parks and created a greens fee. The Department of Planning & Development saw the need to review condominium plats and calculated the fee needed to provide the service. The Solid Waste Division of the Public Works, Transportation & Highway Department provides an excellent example of the second. By closely monitoring new technology and energy markets, staff has discovered ways of converting and marketing landfill-generated methane gas first into electricity and, later this year, into pipeline-quality natural gas. Methane used to be considered a wasteful byproduct of land filling. I ask all of our departments to scrutinize any material which they are collecting or generating in what appears to be wasteful or excessive amounts to see what new, productive use can be made of it. Finally, Human Services persistent analysis of the Medical Assistance (MA) program for appropriate ways to claim revenue for a variety of human services is an example of the third category. Any opportunity for new revenue should be identified in a special report to DOA.
4. With regard to positions, departments should not propose new GPR-supported positions. Every position, filled or vacant, must be reviewed to identify every reasonable opportunity to combine positions or to reallocate, reduce, or eliminate positions. This is a difficult task because the proposal should not involve a substantial reduction in services. But, in light of all these negative trends, we must have realistic options to reduce the county's personnel-related costs. The analysis must focus equally on unrepresented and represented positions, management, and direct service staff. Each large department must forward a report on positions which contain a plan for net elimination of at least one fulltime, GPR funded position per every \$25 million of GPR in the department's budget funding. The Sheriff's Department, District Attorney, and the 911 Center are exempted from this requirement. Every small department must submit a report that includes a plan for eliminating a net reduction of at least a .5 FTE GPR funded position. A final element of the position analysis is a review to determine if any GPR positions (or parts of positions) can be appropriately assigned to non-GPR revenue.

New positions (in contrast to combined, reallocated, or reduced positions) can be requested only if they are necessary to generate new revenue or significantly cut current expenses. For example, Lynn Green has proposed and received several new positions over the years in order to claim more MA revenue or to direct clients into less institutionalized and less costly programs.

5. Over the past five years, as the County has utilized economical short-term borrowing programs, such as the loans made available by the Commissioner of Public Lands, the distinction between long-term and operating capital expenditures is not as significant as

it used to be. Departments may request improvements, replacement of, or repair of major equipment, facilities, and infrastructure (including information technology). I recommend scrupulous restraint in compiling such lists, which should be directed to DOA.

6. Each department must present a program-based analysis to DOA. Every program conducted by the department must be ranked as a) mandated, (with a citation of the mandate) or b) highly desirable but discretionary, or c) discretionary. For each mandated program, indicate the amount of spending beyond the mandatory, minimum level. Within categories b and c, rank the programs in priority starting with those that carry your strongest recommendation for continuance.
7. List any absolutely necessary new or increased responsibilities your department faces. Again, I urge extraordinary care in claiming a new or expanded function as absolutely necessary. I suggest your standard should be: if we fail to carry out this responsibility we will be failing to meet a clear, legal obligation. As a second part of this particular assignment, indicate how you will reallocate resources or achieve new efficiencies to carry out the required functions. Send the first part of this assignment to me; the second part to DOA.

DOA will generate an adjusted base budget for each department – chief among these adjustments is the calculation and inclusion of the obligatory, additional personnel costs we face next year. DOA will also provide formats and a schedule for the different assignments described above. DOA will decide whether and if so, what changes will be needed to the presentation of decision items.

I respectfully request that the elected department heads and their staff follow these procedures and schedules.

I have outlined an arduous process. I only direct you to undertake these tasks because I believe we will face a budget that requires extraordinary efforts on our part. I understand that this process will work only if DOA staff, my staff, and I meet with you and work with you even more closely than usual. We accept that challenge, as I know you will accept yours.

We now have an eleven-year record of working together and producing responsible, timely budgets. These requirements will help ensure that we maintain that record of achievement.

Thank you.

cc: Dane County Board of Supervisors