

READER'S GUIDE TO THE BUDGET DOCUMENT AND CRITERIA FOR ITS EVALUATION

Readers will find a current award from the Government Finance Officers Association of the United States and Canada (GFOA) at the beginning of this document with an obligatory disclosure about the award's duration. The GFOA peer review program in which three undisclosed peers assess and critique the budget document against twenty-seven criteria – and nearly ninety elements underlying those criteria – has much more significance than may be assumed about the biennial award. The review criteria, as they have evolved over the more than twenty years that Hillsborough County has participated, have guided the development of various disclosures important to the range of users of this document – from students and scouts interested in a quick look at the big picture to the rating agencies that use this document as a resource in assessing the credit-worthiness of Hillsborough County government. The County staff members who develop the document undoubtedly benefit the most: They are the most frequent users of the document – both in “realtime” assignments and as an historical reference. Most importantly, the GFOA criteria significantly influence the analysis and strategies that lead to the development of a budget that is subsequently disclosed in a budget document. The following discussion illustrates how several of the criteria used to evaluate a budget document have a much more extensive impact on management practices:



Changes in Fund Balance - One GFOA criterion, for example, makes staff acutely sensitive to any action that may reduce the “fund balance” that represents the dollars carried forward from one year to the next. The required disclosure of any significant increases or decreases in fund balance at the level of each major fund is important in revealing whether there are structural problems in a budget between recurring sources and recurring uses. In the case of Hillsborough County, the FY 09 budget drew down fund balance in two major operating funds – the Countywide General Fund and the Unincorporated Area General Fund. Those drawdowns reflected intentional use of a non-recurring source (fund balance) for a non-recurring use -- to create capital projects accounts that can be used on an infrequent basis to fund economic development and affordable housing opportunities. No drawdowns are anticipated in FY 10 or FY 11 in those operating funds. This biennial budget presents a separate disclosure of the anticipated changes in fund balance for each year, FY 10 and FY 11. Most notable, the budget discloses that current estimates of the 0.5 percent sales tax collected for the Indigent Care Health Program will sharply fall short of meeting anticipated costs of health care for low income residents in each of the next two years. The fund balance drawdown would result in too low a fund balance by the end of FY 11 in the Florida Health Care Surtax Trust Fund – only \$5.5 million in a program that would have spent \$135.7 million during FY 11. Knowing those implications, a plan is already in place to adjust future program expenditures to facilitate adequate future reserves while recognizing the importance of allowing this particular fund balance to build when the economy is strong and be drawn down during weak economic times. The budget update for FY 11 that will occur prior to the formal adoption of the FY 11 budget in September 2010 will result in a smaller drawdown of fund balance in FY 11. In other cases, fund balance may be reduced as debt issues approach maturity and reserve requirements decline.

The Operating Impact of Capital Expenditures - GFOA criteria require us to recognize that capital expenditures in the budget frequently have very direct impacts on future years' balancing of the budget. Those costs are considered at the time a project is approved through their inclusion in the documentation required on a Capital Project Initiation Request Form, as described in the Capital Budget section of this document. When departments subsequently request operational dollars in a budget request upon completion of the project, the capital project number is provided and the budget request is cross-checked against the Capital Project Initiation Request Form. Departments are typically held to the upfront commitment of operational resources. Any additional request for operational dollars, including additional positions not previously disclosed, must compete against all other new funding requests in the budget process.

The loss of property tax revenue resulting from two years of Florida tax reform in FY 08 and FY 09 and resulting from the decline in property values in FY 10 and FY 11 have impacted decisions on what capital expenditures to include in the County's six year Capital Improvement Program for FY 10 through FY 15 – in large part due to the operating impacts upon completion.

Opening a new fire station, which typically houses both a fire engine and an Advanced Life Support (ALS) ambulance, adds substantial annual operating costs in comparison to the capital cost of land, construction, and even the vehicles. Operating expenses are significant because a fire station is operated twenty-four hours a day year-round by employ-

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ees with a significant benefits structure including accelerated retirement, paid incentives and scheduled overtime. A fire station opened in FY 08 with both a paramedic engine and an ALS ambulance – the Chapman Road station – required twenty-one positions and an annual operating cost of \$1.6 million – 50 percent of the total cost for the station's land and structure. In FY 09, further expansion of fire stations was deferred with the current capital improvement program only including replacement stations where additive operational costs are minimal -- \$105,000 each for the Seffner-Mango Fire Station and the 139th Avenue Fire Station.

Consideration of operating costs provides the opportunity to consider the life cycle cost of a new facility. New buildings can be designed to reduce annual maintenance and utilities requirements. Hillsborough County completed its first LEED-certified "green" building in 2009 with the opening of the Tampa Bay History Center.¹



Tampa Bay History Center



Atrium at Tampa Bay History Center



The County recently completed the retrofit of more than 15,000 County-owned traffic and pedestrian signals with light emitting diode – LED – technology and replaced fluorescent lights on 890 overhead street signs with electronic lamps to cut annual electricity consumption by 4.8 million kilowatt hours for savings of \$515,517. Maintenance savings result from not only the electricity but also from the labor savings from less frequent replacements. Adding to that, Hillsborough County recently acquired two diesel hybrid electric trucks, equipped with an aerial bucket body to repair traffic signals and other traffic control devices maintained by the County. The primary benefit from the electric hybrid system is that the diesel engine does not have to run while operating the lift platform. The electric motor provides a reduction in noise, making it ideal for early morning or late evening operations. These trucks use up to 60 percent less fuel for utility type applications and 30 to 40 percent less fuel while driving. They also will require up to 87 percent less idle times and save more than \$5,000 annually per vehicle due to reduced fuel consumption and maintenance cost. Regenerative braking captures energy to charge the battery that would normally be converted to heat and waste. The boom that raises the platform runs off of a battery, allowing the engine to be turned off during maintenance work.²



¹ Construction of the building adheres to the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) criteria. For example, the double-pane windows enclosing the multi-story atrium are filled with argon gas and provide natural light to the facility. Recycled content carpets, recycled rubber flooring, recycled bricks, and a reclaimed/restored industrial waterfront location reflect other elements of the structure. "Smart lights" in restrooms turn off and on automatically, reducing energy consumption. It is anticipated the building will achieve the Silver Level of certification.

² As a safety measure, the engine automatically restarts, as necessary, to recharge the battery while the platform is in use – particularly by County Commissioners Rose Ferlita and Mark Sharpe shown here testing out one of the trucks.

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While the GFOA criterion requires disclosure of operating impacts of capital expenditures, many governments might welcome a future modification of that disclosure to require assessment of a capital expenditure's impact on the jurisdiction's "carbon footprint" – recognizing another aspect of the recurring impact of a capital expenditure.

The Impact of Other Planning Processes - A budget interacts with a variety of planning processes linked to the County's capital/infrastructure programs and/or operations. For example, a Strategic Plan developed in 2005 identifies eight major County "goals" adopted by the Board of County Commissioners under which measurable objectives were established. Departments, in turn, identify "strategies" for achieving measurable success towards the objectives. Goal One, which covers financial strength of the County, sets revenue diversity as one objective, reducing the County's reliance on property taxes as a general revenue by relying more on the non-tax portion of total General Fund revenue.

That specific objective is very meaningful in a time when property taxes are declining. The objective, assigned to the Management and Budget Department and reported as a performance measure for that department, had an objective of 18 percent to be achieved by FY 11. That objective was achieved by FY 09 (18.3 percent) and the County will exceed the objective in both FY 10 (19.2 percent) and FY 11 (20.8 percent).

Another objective under that same Goal is to maintain general obligation credit ratings. The County has exceeded that objective with bond ratings that have recently been reaffirmed. Because that specific objective reflects a broad assessment of financial management, it is reflected in performance measures for several areas of the organization including the County Administrator's Office.

The Strategic Plan will, however, likely undergo an overhaul involving the resetting of objectives to reflect the resources likely to be available for the foreseeable future. The County will not have the double-digit growth in property tax revenues that could allow the variety – and cost – of objectives reflected in the Plan adopted in 2005. Cost-effective strategies will have to replace some of the strategies previously identified and that might impact the time required to achieve some objectives or the level of achievement that can be pursued. A status of the Strategic Plan is available online.

Transportation Planning – Transportation spending in the budget reflects interlocal agreements with each of the three municipalities within Hillsborough County and with Hillsborough Area Regional Transit (HART) for revenue sharing. Some gasoline taxes and a portion of the infrastructure sales surtax – the "Community Investment Tax" or "CIT" – are shared with municipalities. The County has commitments of CIT revenue and transportation impact fees to HART. Grant revenue is allocated to transportation projects through coordination by the local Metropolitan Planning Organization ("MPO"). A Transportation Task Force met over the past two years to determine local transportation priorities and make recommendations to the Board of County Commissioners. A first round resulted in a plan to boost CIT funding by \$500 million for transportation projects. The upheaval in financial markets complicated the plan to access future CIT revenue through a commercial paper program. Coupled with a recessionary reduction in the stream of sales tax revenue from the CIT required a substantial reduction in commitments to transportation capital expenditures. The FY 10 capital budget reflects reduction in prior years' capital commitments.

The Transportation Task Force continued to meet and has supported levy of a Charter County Transportation System Surtax of 1 percent through a November 2010 referendum that would support existing modes of transportation plus the initial funding to pursue federal funding for a rail system. At that same time, a regional group established by the State of Florida – the Tampa Bay Area Regional Transit Authority (TBARTA) has envisioned an inter-county bus and rail system but has not secured a funding source beyond its own administrative costs.

Each of these planning processes touches significantly on the annual budget and/or the multi-year capital improvement plan.

Performance Measurement as a Reflection of How Resources Achieve Measureable Results – One of the most challenging aspects of budgeting is recording how operational units and/or programs turn inputs – dollars and employees – into outputs and outcomes that can be measured and compared. Unlike private businesses, governments

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are less organized around unit costs and the County's current financial management system was not designed to capture unit costs. Hillsborough County has relied on non-automated means of collecting performance data for reporting in the budget document and other reports. Hillsborough County's budget document presents mission statements for each department and agency, objectives that are intended to be measurable where possible, and performance measures that are linked to the objectives. As with other governments, the quality of measures varies from department to department – in part based on the extent to which a department is managed based on performance. Hillsborough County was one of the first recipients of GFOA's Special Performance Measure Recognition for its efforts in disclosing performance in the budget document.

Performance data provides an opportunity to assess changes over time but also facilitates comparisons with other governments. Benchmarking of data with other organizations is complicated by the necessity to use consistent definitions and measurements. The County currently has the highest level of participation in the Florida Benchmarking Consortium of any participating county in terms of programs reporting data and in terms of the number of measures reported. The effort expended on developing common definitions of services between jurisdictions aids in the understanding of alternatives in service delivery and alternatives in assessing what matters in terms of inputs, outputs, and outcomes to be measured.

Performance data is considered during the budget preparation process to assess the impacts of program expansion during periods of revenue growth and to assess the impacts of program reductions in the current environment of declining revenue. The County's zero base budget process incorporates performance data in the building blocks – "decision units" – used to construct organizational budgets. While the budget document may reflect the most visible disclosure of performance data and meet a GFOA criterion, it is the use of the underlying data to make management decisions and budget allocation decisions – and how other jurisdictions approach the same services – that is most beneficial and most justifies the data collection effort.