

March 6, 2009

Policy Issues

The following items are presented for consideration March 10, 2009 as part of the proposed FY 2009-10 budget. The items result from hearings January 14-16, 2009 and February 24, 2009 and are in accord with court direction for public hearing and budget adoption on March 10, 2009.

1. Financial Policies

- a. Expenditures are to be budgeted and controlled so that at the end of the fiscal year the minimum undesignated fund balance for operating funds will be no less than 15% of fiscal year expenditures.
- b. Full disclosure and open lines of communication will be provided for rating agencies. A goal is sustaining the county's AAA (Standard & Poor's) and AA+ (Moody's & Fitch) debt ratings with a stable outlook. Decisions on financial matters are to consider this goal.
- c. Tax anticipation notes for annual cash flow purposes will be issued for the general operating fund. A recommended order will be presented to the court as an agenda item.
- d. Ad valorem tax requirements for operations and debt service are to be analyzed in conjunction with projections of taxable values by the Appraisal District. A recommended tax rate schedule will be presented to the court in September. Funding plans will be considered for Harris County, Harris County Flood Control District, Port of Houston Authority, and the Harris County Hospital District.
- e. The court will consider capital improvement plans and financing requirements at a review session to be held at 9 a.m. Tuesday, June 23, 2009.
- f. Mid-Year Review will be held at 9 a.m. Tuesday, September 29, 2009.

2. Economic Environment

A report on the current economic environment prepared by the E-Business Results Team is enclosed for your review and consideration. Recent developments in the financial and credit markets nationally, along with significant fluctuations in energy prices, have created a degree of uncertainty that could affect Harris County government and its financial condition. In light of the economic uncertainty, it is important to proceed with the budget and capital planning process with caution.

It is recommended that any discretionary increases in spending be delayed until at least Mid-Year Review. Departmental budgets have been adjusted to balance to the final revenue estimate submitted by the Auditor.

3. **Salaries, Allowances and Positions**

- a. **Cost of Living** The question of whether the court should grant a cost-of-living salary adjustment during FY 2009-10 should be delayed for discussion until Mid-Year Review in September. The annual cost of such an adjustment, if granted, would be \$27 million. The court approved 3% increases in each of the last three fiscal years.
- b. **Allowances** It is recommended that allowances for FY 2009-10 be as follows: 55¢ per mile reimbursement for use of a personal vehicle on county business, subject to a maximum of \$675 per month; maximum monthly car allowances of \$575 for law enforcement officers, and, subject to court approval, \$550 per month for elected officials and appointed department heads, and \$420 per month for other non-law enforcement personnel. These amounts will be reviewed for any necessary changes that should be considered at the Mid-Year Review in September.

The maximum cellular phone allowance, not to exceed \$50 per month, for authorized staff should not be changed at this time.

- c. **Positions and Salaries** It is recommended that requests for new positions be deferred at this time subject to further review. Departments in the general fund have requested 583 new positions. It is recommended that Management Services prepare an analysis of positions in each department including the aging and funding status of open positions. Salary changes and reclassification requests, including those for part-time and temporary positions, will be included in the departmental analyses for the court's consideration. A list of existing part-time and temporary positions without changes is provided for approval as part of the FY 2009-10 budget.

The average annual salary of a full-time position in the county is \$56,763 plus benefits of \$20,796. The total annual requirement for salaries and allowances in the general fund for 13,261 full-time equivalent positions is \$753 million plus \$276 million in benefits, the total of which is about 73% of general operating costs.

- d. **Group Health and Related Benefits** A status report by the director of Human Resources & Risk Management is enclosed for your review and reference. The total annual cost for employees, retirees, and dependents is projected to be \$187 million, an increase of \$4.4 million. The county's portion of the cost will be \$148 million, or 79% of the total. Fluctuations in enrollment growth (employees, retirees, and dependents) and payroll would change these estimates.

The county's policy for basic coverage remains unchanged, with 100% of the cost for the employee and qualified retiree paid by the county plus 50% of the cost for dependents. A second option allows the employee or retiree to pay a higher premium for another level of benefits.

Effective March 1, 2009, as approved by the court, the medical provider, Aetna, Inc., began the first year of a new seven-year agreement.

Staff of the Office of Human Resources & Risk Management and the Office of Financial Services are reviewing with the Auditor and County Attorney requirements of the Government Accounting Standards Board to determine appropriate alternatives for financial statements regarding the expense of county-paid retiree health care benefits. An actuarial study is updated periodically to provide information on this funding obligation.

The contribution by the county to the Texas County & District Retirement System in 2009 is estimated at \$86.4 million, or 9.74% of covered payroll. Employee contributions of 7% are estimated at \$62 million. Starting in January 2010 and for the last two months of the 2009-10 fiscal year, the cost is expected to increase to approximately 11.24% of covered payroll based on a preliminary projection by TCDRS.

- e. **Cost of Support Services** It is recommended that the indirect cost for support services provided by the county be assessed as applicable to all non-General Fund operations each year consistent with the most current Cost Allocation Plan (CAP). Management Services will continue to review the amounts assessed with the appropriate departments and will provide reports to the court.
- f. **Technology** Management Services will work with IT staff and other officials to restructure the 2010 Committee that provides for development of technology solutions for county-wide needs.

4. **Departments**

Budget amounts for departments have been prepared and are provided in this book, balanced to the Auditor's Final Revenue Estimate. There will be recommendations for certain items to be placed on the regular court agenda or Mid-Year Review after further departmental analyses and consideration of available funding and economic conditions. The following are summaries of requests and issues from departments.

Public Infrastructure In the aftermath of Hurricane Ike, a number of departments requested consideration for adding generators to their facilities. Recommendations for adding generators will be brought to court through the regular agenda process depending on available resources and/or will be considered during the CIP session in June.

A summary of the planning and funding resources for building projects will be prepared for the court's consideration.

A number of departments mentioned building security issues at courthouse and annex locations. Recommendations for changes in security provisions will be brought to court subject to available funding.

In March 2008, court approved the FY 2008-09 budget which, based on the Auditor's Revenue Estimate, included the \$120 million Toll Road transfer as part of the General Fund and the funds were budgeted for the Precincts for use in accordance with the Texas Transportation Code § 284.0031, subject to annual review by the PID Director and Commissioners.

Voters approved a bond election in 2007 which includes an \$835 million road construction program to be funded by a combination of bonds, toll road transfers, and Metro and other funds over the next 5-7 fiscal years. Each Commissioner, working with the Director of the Public Infrastructure Department, determines annual updates to the priority list and timetables for completing road construction and improvement projects and providing for open mobility for ultimate access to the toll road system. The Commissioners and PID Director, with the assistance of Management Services, will develop allocation policies, formulas, and long-range plans for the funding transfers and related expenses for construction and mobility improvement projects.

To accommodate a request from the County Auditor for the FY 2009-10 budget, the Toll Road funding transfer and related expenses has been changed from the General operating fund to a new Mobility Fund that will be part of the General Fund Group.

- **Toll Road Authority** The authority has requested an increase in the number of constable deputy positions and related vehicles dedicated for toll road patrol from 90 to 107 officers, subject to reimbursement to the county. This request may be brought back for consideration as a court agenda item or at Mid-Year Review.
- **Flood Control** The district has requested seven new positions to be responsible for the flood ALERT system. Responsibility for maintaining the system of flood gauges and related equipment is currently housed at the Office of Homeland Security & Emergency Management. This request may be brought back for consideration as a court agenda item.

Continued funding plans for the district's five-year capital program beginning with the next fiscal year will be submitted for consideration in June at the CIP hearing.

Information Technology A concern about the ongoing status of the IT Radio Shop at 2500 Texas will be addressed by the Facilities & Property Management division of PID with recommendations returned for the CIP session in June.

The fees charged to jurisdictions for use of the radio system have remained static and will be reviewed for any changes that may be necessary. Any changes in the fees charged will be brought to court for consideration.

Public Health & Environmental Services A request for eight new positions and reclassification of 84 positions has been submitted and will be reviewed.

Health Care Alliance The director of the Harris County Health Care Alliance, which is chaired by the director of Public Health & Environmental Services, requested a job reclassification and a new position. Expenses incurred by the county for the Alliance, except for staff office space, are reimbursed by the Alliance Board from fees contributed by the various organizations that are involved. This request will be reviewed.

Library The new replacement Kingwood branch library is scheduled to open in FY 2009-10. Plans for relocating or replacing the Seabrook branch damaged by Hurricane Ike will be included in the capital improvements session along with any other new or replacement library facilities. An analysis will be made of funding for requested equipment and materials. The department operates 26 branches, including the existing Kingwood branch.

Youth & Family Services Salary changes, positions, and other requests will be reviewed for Mid-Year for these six departments: **Domestic Relations, MHMRA, AgriLife Extension, Juvenile Probation, Protective Services for Children & Adults, and Children's Assessment Center.**

- **Juvenile Probation** The department reopened its operations at Westside Detention in 2008 providing 45 additional beds to absorb certain youth from the downtown detention facility. Referrals are down by 10% from fiscal 2008 to fiscal 2009. The department requested 29 new positions and eight reclassifications. In addition, the Juvenile Board has requested \$25,000 to employ a lobbyist for the department.

Facilities & Property Management will conduct an evaluation of options for disposing of the juvenile facility on West Dallas.

The Annie Casey Foundation project has been a catalyst for a number of policy and position changes in the juvenile detention area, according to the director of Juvenile Probation. This work will continue to help develop alternatives to detention for at-risk youth in the county.

- **MHMRA** The director has requested consideration for alternatives to incarceration for a group of high-risk mentally ill patients on medication who end up in the county jail on a continuing basis. They also requested consideration of enhancing the civil commitment laws involving people with mental illness, increased funding for TRIAD, and 16-bed treatment centers to further enhance the system of mental health options for processing and care of juveniles.

Constables The constables have requested 70 new peace officer and 13 clerical positions in addition to the 17 positions requested by the Toll Road Authority mentioned previously in this report. The budget request includes 20 proposed new positions for Constable, Precinct 1 for downtown courthouse security. These requests will be reviewed.

Sheriff The study of the county's overall patrol operations including contract patrol programs for the Sheriff's Office and the Constables is ongoing and includes working with the new Sheriff's administration. Any recommendations for adjustments for operations will be brought to court for consideration on a regular agenda or at Mid-Year Review.

The Sheriff's department has requested 311 new positions for various divisions along with 58 salary changes and reclassifications. The Sheriff is planning an aggressive recruiting program to increase the number of detention and patrol officers. The current staff is working a significant amount of overtime and if staff levels could be enhanced, particularly in the jail, the savings from reduced overtime could help offset the cost of added personnel.

Staffing in the jail remains below target levels despite approval and hiring of 180 detention officer (DO) positions during the past two years. The continued shortage of DOs was the primary cause of overtime expenditures continuing to increase throughout last year. For FY 2008-09, overtime expenditures were projected to be \$35 million while the most recent pay periods have experienced a rate that would require \$37 million per year. Newly implemented recruiting policies have increased the number of viable candidates for DO positions. In January 2009 Commissioners Court approved 20 additional DO positions plus another 40 DO positions pending identification of a funding source. Reducing detention overtime is a priority of the Sheriff for FY 2009-10 and, barring a large decrease in the jail population, this will require hiring and/or re-assigning more officers to work in the jails. To the extent that additional jail positions are needed, including the 40 DO positions that are already approved pending funding, these positions should be funded from dollar-for-dollar reductions in detention overtime costs. Management Services will assist the Sheriff's Office in achieving this goal by providing periodic reports of overtime expenditures and assisting in evaluation of personnel-scheduling software and analysis of recruiting operations and processes.

The jail system remains under variances from the Texas Jail Commission. The department has space in Louisiana for up to 1,730 prisoners by contract and 950 are currently in this program. Efforts to develop alternatives to jail for minor offenses and mental health issues are receiving attention and study for ways to address jail overcrowding.

Fire Marshal The Fire Marshal has requested 22 new positions to address the need to keep up with growth of population in unincorporated areas of the county and to meet and maintain manpower standards. This request will be reviewed.

Medical Examiner The Medical Examiner has requested 39 new positions and four reclassifications to be phased in during the fiscal year. The development of the crime lab and forensic activities conducted by the ME's Office and continued maintenance of national certifications provide a reliable source of scientific information for county law enforcement and the criminal justice system.

Management Services is reviewing a proposal for outsourcing employment drug testing currently done by the Medical Examiner's Office and will bring any proposed changes to a regular court agenda or Mid-Year Review. Another review will be done concerning fees charged for autopsy and related services for other counties.

County and District Clerks The County Clerk is asking for seven new positions in the Elections Division and for nine positions to be reclassified. This request will be reviewed.

The District Clerk has requested \$178,000 for enhancing clerk salaries and \$2.5 million for continuation of the digital imaging project. These requests will be reviewed.

County and District Attorneys The County Attorney is asking for seven reclassifications and six new positions. This request will be reviewed.

The District Attorney is seeking 17 new positions and reclassification of eight positions. She has emphasized the need for a Victim's Rights Bureau and support for the Casey Foundation alternatives for juvenile cases, improvements in processing mental health cases, and use of new animal cruelty prevention initiatives. This request will be reviewed.

Community Supervision & Corrections CSCD is asking for security enhancements at regional centers and expansion or relocation of facilities, both of which will be addressed in the CIP session in June.

Pretrial Services Pretrial is requesting new software and consulting arrangements to improve the necessary forms for processing defendant information. Management Services will review the needs of this department with court management staff.

Justices of the Peace The JPs have asked for document management systems or imaging solutions to reduce file handling time and expense and more efficiently serve their customers. They also asked for an interpreter fee adjustment for their employees, and emphasized the need for improvements in annex and court security and upgrading and expansion of facilities and new furniture. The JPs asked for 22 new positions for caseloads. These requests will be reviewed.

The Office of Legislative Relations should keep Commissioners Court advised about any expansion of jurisdiction for the JPs by the Legislature. Management Services will provide any cost analyses necessary.

Probate Courts The four probate judges have asked for continued equalization of budgets and positions, and they are requesting a 3% across the board increase in salaries for staff to be funded by a fee that is outside the general fund. Management Services will analyze the requests for recommendations.

County and District Courts Consideration for developing a Public Defenders Office for the county is ongoing and recommended reports will be given to the court.

The County Courts are requesting two new positions to handle administrative functions. This request will be reviewed. The District Courts are seeking replacement of jury box chairs from FPM, and a method for allocating drug court fees to the applicable courts. The courts are developing and seeking to improve special court docket programs to address mental health, drug, and juvenile cases.

Tax Assessor-Collector A request to delete eight positions and provide reclassifications and salary adjustments for four additional positions will be analyzed by Management Services.

Auditor and Purchasing Agent The Auditor is seeking to add two positions to her budget. Also included are reclassification and salary changes for certain positions. The Board of District Judges approved the Auditor's FY2009-10 budget.

The Purchasing Agent is requesting \$550,000 for expansion/build out of office space and furniture and \$50,000 to replace two high mileage vehicles. The Purchasing Agent Board approved the FY 2009-10 budget for the Purchasing Agent's Office.

Selection of Outside Auditor On February 10, 2009, court directed Management Services to seek competitive bids for the FY 2010-11 audit services for the county, the Flood Control District, and County and District Clerks with Management Services determining the right time to seek the bids. It is recommended that Management Services form a committee to evaluate bids received from qualified accounting firms and make recommendations for accepting the best qualified firm or firms to perform the audits.

Commissioners Court Agenda Process Management Services is exploring options to automate the court agenda process. A report will be provided to court for consideration.

Fleet Services The director is preparing an updated report on fleet policies including a proposal to change the way law enforcement vehicles are purchased and replaced. Management Services will assist in review of this matter with the Sheriff and the Constables.

OHSEM This office has proposed returning the flood gauge management responsibilities to the Flood Control District. As noted on page 4 under Flood Control, the district has requested seven new positions for support of the flood gauge monitoring program. OHSEM has requested seven new positions.

Population The population report dated February 2009 by the E-Business Results Team is included for consideration.

Hurricane Ike Recovery A report from the director of Human Resources & Risk Management is included for consideration.

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