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COVER PAGE

Innovation Study Title Polishing Your Crystal Ball: The Power of the Forecast

Category Technology & Tools

Jurisdiction Name Pinellas County

City/County Manager Bob LaSala

Population 930,000

Submit Innovation Study for an Alliance Innovation Award Yes [X] No []

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SYNOPSIS

Innovation Study Topic

Polishing your Crystal Ball: The Power of Forecasts

Summary

In response to numerous fiscal challenges, Pinellas County developed a ten-year budget forecast for its ten major funds in 2010. Previously the County had produced ad-hoc forecasts as part of its budget process, but the Forecast had never been formalized into a stand-alone document over a ten-year time horizon. Disappointed with a review of various forecast documents from other local governments across the country, Pinellas County chose to create a completely original forecast document. Our Forecast document includes: an economic overview at the national, state, and local level; complete transparency and information regarding the key revenue and expenditure assumptions driving the forecasts; pro-formas and charts for each of the ten key fund forecasts; and user friendly analyses of the individual fund forecasts that include balancing strategies for each of the funds.

Developing a multi-year forecast provides decision-makers with at least two key benefits: (1) assessing the long-term financial sustainability of the County's Funds and (2) understanding the impact of today's decisions on the future.

One of the key purposes of developing a multi-year fund forecast is to identify potential actions necessary to balance revenues and expenditures over the long-term to ensure fiscal sustainability. Forecasting over a ten-year horizon can serve as a window into the future to warn of potential future challenges. For example, if a major capital project (i.e. jail expansion) will have a significant impact on the operating budget, that impact can be anticipated several years in advance and strategies can be developed and implemented to manage the negative impact to the budget. Conversely, if debt service on a bond is due to expire in the near

future, additional funds may become available to increase service levels to certain programs or other uses.

Another benefit of long-term forecasting is the ability to assess the impact that decisions made in the present can have on future fiscal capabilities. If the Board is considering funding a new or enhancing an existing program, the Forecast can demonstrate the long-term impact to the budget. Similarly, if the Board is considering a new revenue source, the Forecast can show how much revenue could be anticipated over the years. Implementing cost-saving initiatives can also be forecasted and evaluated over time. In summary, the Forecast can be a powerful tool to understand how policy changes have real consequences that last far beyond a one-year budget solution.

The power of the forecast in Pinellas County has enabled us to successfully navigate the significant fiscal challenges that we have faced including mandated property tax roll-backs from the State Legislature, a dramatic decline in property tax values, and impact from the Great Recession. The Forecast has allowed us to build consensus with our Board, other County elected officials (ex. Sheriff), and the community. A prudent fiscal strategy that we were able to implement as a result of the Forecast was to agree on multi-year budget reduction targets. These targets were set at levels that anticipated future necessary reductions based on shortfalls in the Forecast. As a result, we were able to build consensus around making anticipated reductions beyond what was necessary to balance the current budget. This allowed us to take a more holistic approach to our reductions overall and build up one-time savings to create a Service Stabilization Account of about \$30 million to provide us additional flexibility to address budget issues, such as spend money to save money projects, etc. None of these things would have been possible without the transparency and discipline provided by our Forecast. In summary, our Forecast has helped us achieve organizational stability and service level sustainability to our community in the midst of a financial maelstrom.

Intent of the idea and length of time is has been enacted

The Forecast was developed two years ago and is formally updated twice a year. The intent of developing a formal Forecast document over a ten-year time horizon was to enhance transparency, discipline, and decision-making during a critical time for our organization.

Anticipated and actual outcomes

Developing the Forecast was anticipated to improve understanding of the County's financial position and help drive effective long-term decision-making as it dealt with the greatest fiscal challenge since the Great Depression.

Costs and/or savings, if any

Costs were minimal since we did not use a consultant or any outside resources to develop the Forecast. There were some minor additional costs associated with subscription services for enhanced economic information resources. Direct savings from the Forecast would be impossible to quantify, but indirectly we estimate that millions have been saved from prudent financial planning resulting from this effort.

Innovative characteristics

Our forecast document is a completely original document crafted by County staff. Formal stand-alone forecast documents are rare among local governments. The things that set our forecast document apart are that it is designed to be easy to understand, provide complete transparency, and provide a platform for enhanced decision-making. We have received many compliments regarding the quality and user-friendliness of the forecast document.

Obstacles and results achieved

Several key obstacles included the understanding of and interpretation of the fund forecasts, challenges to the key assumptions from other parties such as our Sheriff and other elected officials, and the discipline that the forecast put on the budget process. Ultimately, our Board was able to truly understand and discuss the County's short and long-term financial position. Once the Sheriff and other

stakeholders understood how it worked we were able to avoid “arguing about the numbers” and focus more on crafting a budget strategy to deal with our mutual fiscal challenges. The budget discipline imposed by a formal forecasting process helped us avoid political chicanery and focus on quality decision-making instead.

Any new issues/problems or unintended consequences

An interesting development was that soon after the Forecast was presented many of our key assumptions were challenged, mainly because people were in denial regarding the scale of the projected shortfalls. After an initial education process, everyone is now “on the same sheet of music” and instead of challenging the forecast, we spend time on crafting solutions. We found that a formal forecast that everyone can buy into has given our elected officials political cover to make some very difficult decisions. Also, the forecast is readily understood by the business community and many of our citizens. As a result, county staff suddenly seem smarter and more professional virtually overnight.

INNOVATION STUDY COMPONENTS

1. Innovation/Creativity

(How did the idea improve the organization? Were new technologies used? If yes, what methods or applications were implemented? Was a consultant used? If yes, describe their involvement.)

The new Ten-Year Budget Forecast greatly improved the general understanding of the County's challenging financial position by employees, the Board, other elected officials, and the community. This enhanced understanding led to better budget discipline and improved decision-making. No new technologies were used in development of the forecast and no consultant was used either.

2. Outcomes Achieved

(What customer/community needs and expectations were identified and fulfilled? Has service delivery been enhanced? Did the initiative improve access to your government? If yes, how? Has the health of the community improved as a result? If yes, how?)

The Forecast helped all of the County's stakeholders truly understand the current and projected financial condition of the County, which led to more transparency and improved citizen involvement in the budget process. This was key, given the transformation that the County would undergo over the last two years (ex. we eliminated 1/3 of our full-time positions). Given this impact, the financial health of the community has definitely improved.

3. Applicable Results and Real World Practicality

(What practical applications will be shared? How applicable is the idea to other local governments? What results/outcomes will you share? Include any applicable performance measures, if any.)

We can share many compelling lessons learned regarding the “how to” of developing multi-year budget forecasts as well as the “power of the forecast” and how it is ultimately used to drive decision-making in the budget process. This idea is universally applicable to other local governments. We will share both the challenges and benefits from a more formal and robust forecasting process. Performance measures are not really applicable in this case because it is difficult to quantify enhanced understanding, transparency, collaboration, and decision-making stemming from a multi-year budget forecast.

4. Innovation Study Presentation

(Describe your innovation study presentation. For example: PowerPoint, video, interactive group activity, handout materials, live demonstration)

The presentation would likely be given by the Budget Director and the County Administrator. We envision using PowerPoint slides to guide the discussion. We would likely start with the background and “how to” portion of the discussion. We would then introduce an interactive group activity of about 10 minutes discussing a challenging budget scenario which incorporates results from a ten-year budget forecast. After sharing the results, we would transition back to the presentation and share how our Board and other stakeholders ultimately used the Forecast to address our fiscal challenges. We would also provide a link to our Citizens’ Guide to the Budget website that includes our Forecast document.

<http://www.pinellascounty.org/budget/12Budget/presentations/FY12-21 ForecastDocument.pdf>