



DALLAS COUNTY OFFICE OF BUDGET AND EVALUATION

December 11, 2002

TO: Commissioners Court, Elected Officials
Employees and Citizens of Dallas County

FROM: Ryan Brown
Budget Officer

SUBJECT: **APPROVED FY2003 BUDGET**

INTRODUCTION

This document contains the approved operating and capital budgets for Dallas County's fiscal year which begins on October 1, 2002 and ends on September 30, 2003 (FY2003). The budget was approved unanimously by the Dallas County Commissioners Court on September 17, 2002, after a five-month budget process, during which County Department Heads, Elected Officials, and citizens presented their ideas and requests for analysis and discussion.

The purpose of this letter is to provide background on the budget process and to summarize the most significant decisions made by the Court during the FY2003 resource allocation process.

COUNTY MISSION AND STRATEGIC PLAN

The assigned missions of county government in Texas are those narrowly delegated by state law (see First Preface). Accordingly, Dallas County Commissioners Court has chosen not to create an overall strategic plan for service delivery but rather to target those areas in which inter-governmental coordination and/or rapidly changing environmental conditions have created the need for a more formalized process.

Within the last five years, the areas which have been the subject of formal, targeted planning are as follows: ã regional transportation, ã juvenile justice, ã data processing, ã tax collection and æJustice of the Peace Collections.

Transportation - Regional transportation planning finds its way into the County's major capital development and bond programs which are discussed in Part VI of this document. The County's Public Works Department created an extensive multi-year strategic plan which is updated every quarter.

Juvenile Justice - The juvenile justice strategic plan was completed in FY94 and called for large scale improvements to facilities and tracking tools to insure continuous improvement of outcomes. The Henry Wade Juvenile Justice Center was completed in FY96 and the old detention center was reactivated in FY98 as a privatized residential facility, all in conformance with the long-term plan. The Wade Center expansion will begin in FY2003 as outlined in the five-year capital plan to be discussed below. The County maintains extensive recidivism tracking tools to measure the outcomes of its juvenile programs, another major result of the strategic planning effort. The Juvenile Department plans to update the juvenile justice strategic plan in FY2003.

Data Processing - The ten-year data processing improvement plan was created by the County's outsourced data processing department and calls for migration from a mainframe to a distributed environment. Thus far, elections, civil courts, general ledger/purchasing and payroll have moved either partially or fully toward the distributed environment. The plan is updated annually and discussed during the data processing budget hearing. In FY2003, the plan will be further implemented with the change in data processing contractors.

Tax Collection - A long term strategic goal of the County was realized in FY2002 when consolidated tax collection became effective. In particular, the City of Dallas and Dallas Independent School District joined the County, the Hospital District and 26 smaller jurisdictions in a consolidated collection effort expected to offer economies of scale to all governmental bodies. This effort will be continued in FY2003.

Justice of the Peace Collections - Improving Justice of the Peace Collections has been a strategic goal of the County for the last five years. In FY2003 Dallas County continues toward this goal with the implementation of a Centralized Collections Center for Traffic Citations. In addition, during FY2003 Dallas County will continue its planning of a Justice of the Peace Court system.

Most other departments have plans which can be considered more tactical than strategic, and since most are headed by independently-elected officials (e.g., District Attorney, District Clerk, Tax Assessor/Collector, County Clerk, etc.), no formal mechanism other than the annual budget process exists to create or enforce a coordinated planning process.

The FY2003 budget includes a five-year capital improvement plan. During the budget process, each department was asked to review its facility and technology needs through the year 2007. These plans were reviewed by the Commissioners Court and prioritized to fall within the constraints of an all-cash financing strategy (which is discussed later in this letter). The results are presented after the "Capital Improvements" tab in this document.

FINANCIAL POLICIES

Dallas County has operated for many years with a set of financial policies that transcend a particular budget year. These policies are provided in their entirety in Part II "Trends and

Summaries.” Strict adherence to these policies is a key factor in the financial strength of the County, as evidenced by the County’s long-standing AAA/Aaa bond ratings.

The most significant policy directives that mold the formulation of the annual budget are summarized below:

- The Budget Officer is required by policy to present the Commissioners Court with a balanced budget that contains a no-tax-increase assumption as a starting point for budget discussions. This “baseline” budget must assume that the tax rate is adjusted downward to the “effective rate” which counteracts the revenue-enhancing effects of an increasing tax base.
- The budget, as presented by the Budget Officer, and as finally adopted, must contain a projected unencumbered cash ending balance which is no less than 10.5% of budgeted expenditures.
- The budget as presented, and as finally adopted, may utilize a drawdown of beginning balance only to the extent that such drawdown does not exceed 4% of total General Fund resources.

These policies, and other less significant policies, create a budget process characterized by a “resource-limited” discussion, rather than a “service needs” discussion. The Commissioners Court may increase the property tax rate above the effective rate, if sufficient justification is presented during the budget process that service enhancements are necessary or advisable. FY2003 was a year in which the approved tax rate is above the effective rate.

FY2003 is the fourth year of a policy directive that limits capital expenditures to only those projects that can be funded without incurring long-term debt. In FY2001 Dallas County sold the last of the remaining debt authorized by the 1991 bond election. This move toward a “debt-free” financial structure is a significant departure from the County’s prior practice. See “Capital Improvement Plan” on page 445.

BASIS OF BUDGETING, ACCOUNTING, AND TAXATION

The County Auditor is by law the officer charged with maintaining the books of account of County government, and is functionally and organizationally independent of the Commissioners Court. The County Auditor provides revenue estimates and the budget must be balanced utilizing these estimates.

The County utilizes the modified accrual basis of accounting for financial reporting in accordance with generally accepted accounting principles. The Auditor’s revenue estimates count only cash expected to be actually received in the next fiscal year.

Encumbrance accounting is utilized for materials, goods and services documented by purchase orders or contracts. It has been the practice of the County to increase the subsequent year’s appropriation, but only if necessary, to complete these transactions. The approved annual budget,

with amendments as approved by Commissioners Court, is the management control device utilized by the County.

All governmental bodies in Texas utilize the same tax cycle, as established by state law. Property tax bills must be mailed by October 1st and are based on a certified tax roll created by an independent Central Appraisal District and delivered to the County on the prior August 1st. Taxes are not delinquent until after the subsequent February 1st, with penalties accruing for late payment.

The County Auditor prepares a Comprehensive Annual Financial Report (CAFR) for each fiscal year. Each CAFR shows expenditures on a GAAP basis and budget basis for comparison. The County's CAFR has been awarded the GFOA Certificate of Excellence in Financing Reporting for the last 20 years. This document, and the internal controls associated with the County's finance management, is subject to an annual independent audit.

One additional noteworthy budgeting technique should be understood by the reader of this document. The County provides full funding in each department's budget for all authorized staff positions and associated fringe benefits. This allows department managers to concentrate on service delivery rather than vacancy management. To avoid over-appropriation, an aggregate estimate of vacancy savings appears as a negative appropriation in a General Fund countywide account under the heading "Salary Lag." One effect of this technique is to make each year's personnel budget for a department *appear* larger than the previous year's actual spending, even if no personnel have been added to the department's budget.

GENERAL STRUCTURE OF THE COUNTY'S BUDGET

Dallas County accounts for its financial resources through the use of "*funds*," each of which has a self-contained set of accounts and an ending balance which is carried forward to the subsequent year. The Operating Budget consists of 17 funds, although the most significant public service and financial decisions made by the Commissioners Court are embodied in the following six funds:

- ! **The General Fund** - accounts for the majority of all County revenues and most large expenditures related to the County's mission;
- ! **The Permanent Improvement Fund** - provides a dedicated funding source for maintenance of County infrastructures;
- ! **The Major Technology Fund** - provides a dedicated funding source for major information systems projects;
- ! **The Major Capital Development Fund** - provides a dedicated funding source to transition Dallas County from a debt-dependent capital structure to a program of all cash financing of large projects;
- ! **The Interest and Debt Fund** - dedicated to repaying principal and interest on debt;

! **The Road and Bridge Fund** - serves as the source of funding for County road projects and as a reserve for debt service on tax-exempt bonds issued for road projects.

Each of these funds, except the Road and Bridge Fund, receives a portion of the annual tax levied on all County property. The Road and Bridge Fund receives its funding from a vehicle license fee.

Table II-1 in Part II, "Trends and Summaries" of this document lists and describes all operating funds which are part of the operating budget process.

OVERVIEW OF FY2003 BUDGET

The FY2003 tax rate was adopted on September 17, 2002. The tax rate was set at 19.6 cents per \$100 assessed valuation, which was equal to the tax rate of the previous three years. Figure I-1 displays the historical trend of the County's tax rate.

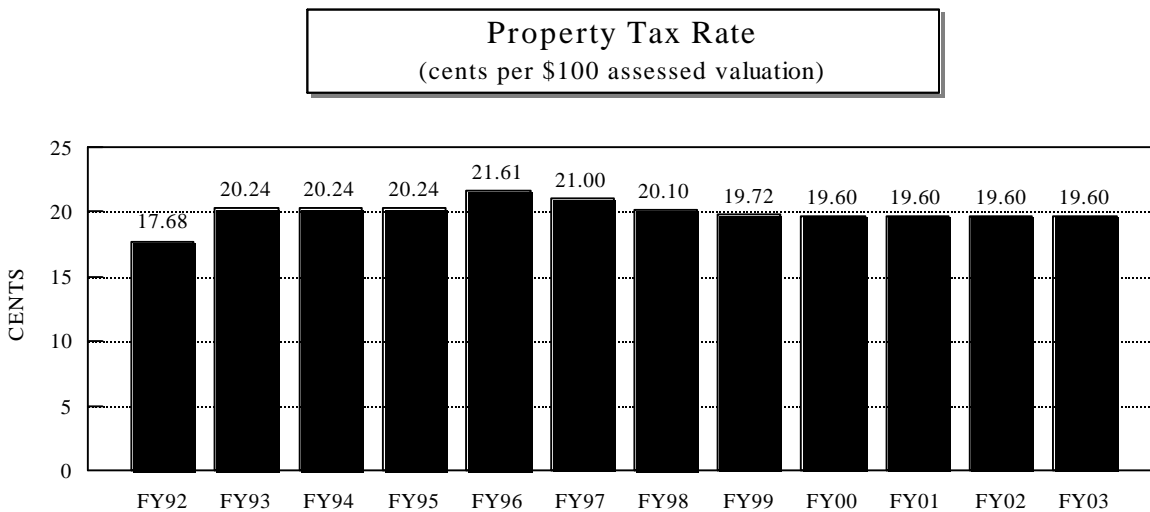


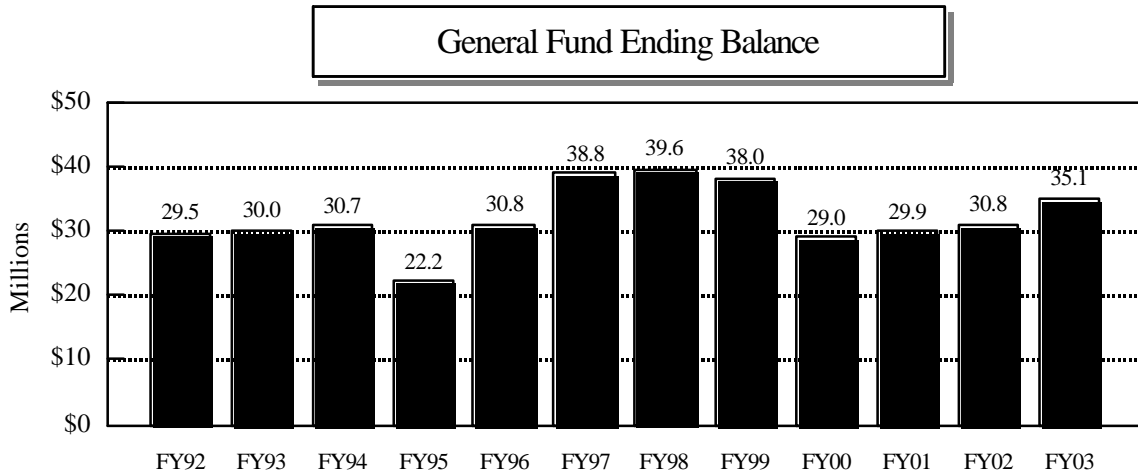
Figure I-1

Table I-1 summarizes the FY2003 appropriations and reserves for all operating funds. As shown, the adopted budget totals \$634.2 million. Table I-2 places the FY2003 budget in historical perspective and provides additional detail on the sources and use of funds.

The General Fund, the fund that includes most (but not all) of the important functions performed by County government. Resources available for budgeting total \$369 million, which is \$1.8 million lower than FY2002. Budgeted General Fund expenditures of \$334 million are \$6.1 million (1.8%) lower than actual FY2002 expenditures.

General Fund ending balance of \$35.1 million exceeds the important policy test established by Commissioners Court. Figure I-2 places this balance in historical context.

Figure I-2



General Fund sources of \$369 million include \$30.8 million in unencumbered cash carried forward from FY2002 plus new revenues of \$338 million, of which approximately half comes from the property tax. The FY2003 tax rate of \$19.6 cents per \$100 assessed valuation is expected to produce \$180.6 million, or \$5.6 million more than was available in FY2002. This tax rate represents a continuation of the rate approved in FY2000. The following figure depicts the historical level of the County’s property tax roll.

Beginning on page 62, each revenue source available to the County is discussed in detail.

Figure I-3

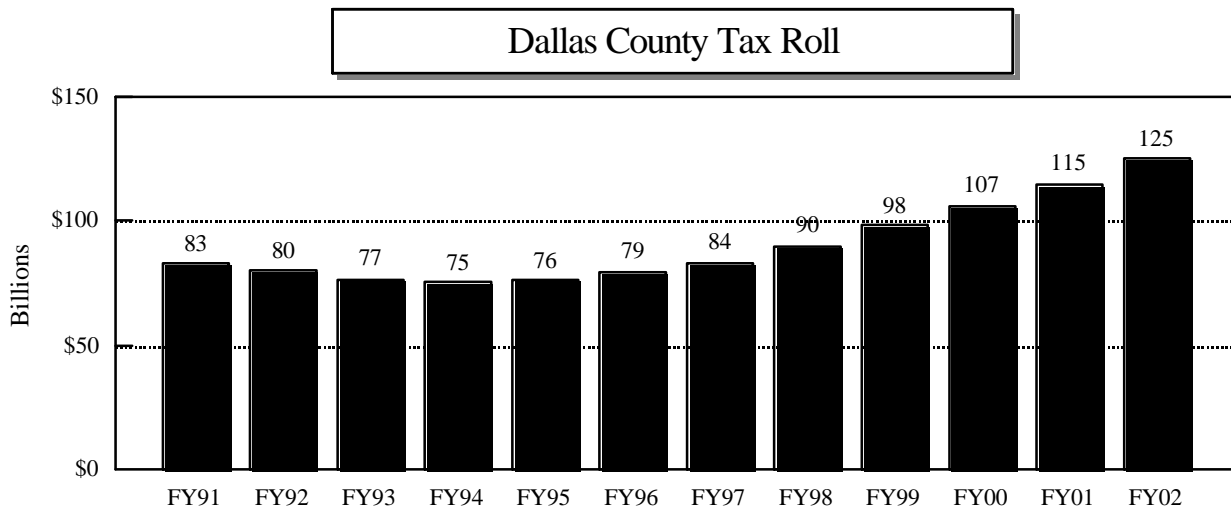


Table I -1
**Summary of Major Sources and Uses of Funds
and Uses of Funds**
(\$1,000)

	General Fund	Child Support Fund	Dispute Res. Fund	General Fund Group Total
Beginning Balance	\$30,791	\$106	\$175	\$31,072
Revenues				
Ad Valorem Taxes	180,568	0	0	180,568
License Fees	0	0	0	0
Fines and Forfeitures	10,570	0	0	10,570
Fees of Office	59,087	3	0	59,090
Interest and Rentals	7,472	6	4	7,482
Reimbursement for Services	24,333	891	512	25,736
Miscellaneous	19,885	27	0	19,912
C.O. Proceeds	0	0	0	0
Transfers In	36,328	912	0	37,240
Grants	0	0	0	0
Sub-Total Revenues	\$338,243	\$1,839	\$516	\$340,598
Total Sources	\$369,034	\$1,945	\$691	\$371,670
Expenditures				
Justice Administration	90,977	0	0	90,977
Law Enforcement	113,848	0	0	113,848
Health & Social Services	58,993	0	0	58,993
Community Services	9,304	1,937	371	11,612
Management Services	56,449	0	0	56,449
Non-Departmental	30	0	0	30
Debt Service	0	0	0	0
Transfers Out	4,358	0	300	4,658
Sub-Total Expenditures	\$333,959	\$1,937	\$671	\$336,567
Ending Balance	\$35,075	\$8	\$20	\$35,103
Total Uses	\$369,034	\$1,945	\$691	\$371,670

Notes:

Smaller Funds that are not subject to Commissioners Court discretion are not shown.

Capital Project Fund category includes Permanent Improvement, Major Technology, and Major Capital Development Funds.

Table I -1 (Continued)
**Summary of Major Sources and Uses of Funds
and Uses of Funds**
(\$1,000)

	Road & Bridge Fund	Debt Service Fund	Capital Projects Funds	Grant Funds	Grand Total
Beginning Balance	\$20,484	\$14,517	\$8,790	\$13,037	\$87,900
Revenues					
Ad Valorem Taxes	0	37,925	26,501	0	244,994
License Fees	36,176	0	0	0	36,176
Fines and Forfeitures	10,234	0	0	0	20,804
Fees of Office	0	0	0	0	59,090
Interest and Rentals	249	1,567	2,345	0	11,643
Reimbursement for Services	3,710	0	0	425	29,871
Miscellaneous	273	0	0	0	20,185
C.O. Proceeds	0	0	0	0	0
Transfers In	0	1,712	3,083	3,746	45,781
Grants	0	0	0	77,792	77,792
Sub-Total Revenues	\$50,642	\$41,204	\$31,930	\$81,963	\$546,337
Total Sources	\$71,126	\$55,721	\$40,720	\$95,000	\$634,237
Expenditures					
Justice Administration	0	0	19,861	3,479	114,317
Law Enforcement	0	0	1,889	4,678	120,415
Health & Social Services	0	0	10,340	86,764	156,097
Community Services	15,030	0	4,180	46	30,868
Management Services	0	0	233	33	56,715
Non-Departmental	0	0	2,857	0	2,887
Debt Service	0	44,011	0	0	44,011
Transfers Out	39,763	0	1,360	0	45,781
Sub-Total Expenditures	\$54,793	\$44,011	\$40,720	\$95,000	\$571,091
Ending Balance	\$16,333	\$11,710	\$0	\$0	\$63,146
Total Uses	\$71,126	\$55,721	\$40,720	\$95,000	\$634,237

Notes:

Smaller Funds that are not subject to Commissioners Court discretion are not shown

Capital Project Fund category includes Permanent Improvement, Major Technology, and Major Capital Development Funds.

Table I-2
**Historical Summary of Major
Sources and Uses of Funds**
(\$1,000)

	FY99	FY2000	FY2001	FY2002	FY2003
	Total	Total	Total	Total	Total
Beginning Balance	\$81,357	\$76,701	\$80,815	\$103,481	\$87,900
Revenues					
Ad Valorem Taxes	189,868	204,452	223,901	241,846	244,994
License Fees	33,795	34,226	35,768	35,471	36,176
Fines and Forfeitures	18,763	17,095	22,007	21,701	20,804
Fees of Office	50,504	53,229	53,874	56,732	59,090
Interest and Rentals	22,886	19,601	18,751	15,267	11,643
Reimbursement for Services	33,388	39,937	40,762	37,455	29,446
Miscellaneous	12,372	16,399	17,265	19,749	20,611
C.O. Proceeds	8,633	0	0	0	0
Transfers In	45,575	51,439	51,508	48,262	45,781
Grants	49,660	52,068	60,958	71,201	77,792
Sub-Total Revenues	465,444	\$488,446	\$524,794	\$547,684	\$546,337
Total Sources	\$546,801	\$565,147	\$605,609	\$651,165	\$634,237
Expenditures					
Justice Administration	79,031	84,740	89,167	105,372	114,317
Law Enforcement	102,448	108,542	113,004	115,317	120,415
Health & Social Services	98,119	104,283	118,558	135,408	156,097
Community Services	22,120	25,675	40,215	36,636	30,868
Management Services	62,735	56,213	56,021	62,215	56,715
Non-Departmental	7,131	3,435	2,735	12,513	2,887
Debt Service	52,941	50,006	48,641	47,268	44,011
Transfers Out	45,575	51,438	51,508	48,262	45,781
Sub-Total Expenditures	470,100	\$484,332	\$519,849	\$562,991	\$571,091
Ending Balance	\$76,701	\$80,815	\$85,760	\$88,174	\$63,146
Total Uses	\$546,801	\$565,147	\$605,609	\$651,165	\$634,237

Notes:

Smaller Fund that are not subject to Commissioners Court discretion are not shown.

Capital Project Fund category includes Permanent Improvement, Major Technology, and Major Capital Development Funds.

Table I-3
 General Fund FY2003 Budget
 Compared to FY2002
 (\$1,000)

	FY2002	FY2003	
	Actual	Budget	Change
Beginning Balance	\$22,200	\$30,791	\$8,591
Revenue			
Taxes	175,009	180,568	5,559
Prisoner Contracts	3,323	2,454	(869)
Contingency Revenue	0	1,602	1,602
Other Recurring	167,229	153,619	(13,610)
Total Revenue	345,561	338,243	(7,318)
Disencumbered Funds	3,100	-	(3,100)
Total Sources	370,861	369,034	(1,827)
Total Expenditures	340,070	333,959	(6,111)
Ending Balance	\$30,791	\$35,075	\$4,284

GENERAL FUND EXPENDITURES

Key Themes - The FY2003 budget process was characterized by activities centered on providing additional funding for workforce investment without raising the tax rate above 19.6 cents. This goal was accomplished with Commissioners Court authorizing a 3% structure salary increase for County employees effective January 11, 2003. In addition, Commissioners Court increased the County contribution for health care to \$4,200 per employee annually. Lastly, Commissioners Court increased the County contribution for employee retirement from 7% of gross salary to 8.5% of gross salary.

The final FY2003 budget for the General Fund contains expenditures of \$334 million, a decrease of \$6.1 million (-1.8%) over the estimated FY2002 expenditures. The decrease in the budgeted expenditures is primarily due to Dallas County and the Hospital District agreeing to outsource inmate health services in FY2003. For the last couple of years the Hospital District had been contracting with the County to provide the services. With the outsourcing of it to a third party the County's expenses and revenues were decreased by approximately \$9 million. The County's property tax rate was set at 19.6 cents per \$100 assessed valuation, unchanged since FY2000. The rate remains among the lowest of urban counties in Texas.

Workforce Investment - As mentioned, the Commissioners' first priorities were to adjust salary scales to a more competitive level. All salary scales will be adjusted upward by 3% on January 11th, 2003. In addition, the health insurance trust which had been stable in FY2001 and FY2002 was again an area of concern. As such, the Commissioners Court increased the County contribution from \$3,900 per employee per year to \$4,200 per employee per year. Lastly, Commissioners Court increased the County contribution for employee retirement from 7% of gross salary to 8.5% of gross salary.

New and Expanded Programs - The FY2003 budget includes very few new or expanded programs. Among the new programs, the most substantial were three additional Forensic Biologists for expanded DNA testing by the Institute of Forensic Sciences and two Public Defenders and a Paralegal in order to lower Dallas County's indigent defense costs in the Family Courts.

Other program expansions include new staff for the Tuberculous Clinic, five additional Constable Deputies as a result of the workload standard, a Document Imaging Administrator for the Data Services Department, a Information Systems Security Manager for the County Auditor, and additional staff for the District Attorney and Juvenile Department. Overall, Dallas County had a net decrease of 157 employees from the County's 5,000+ workforce.

GENERAL FUND DEPARTMENTS

The County's operations are conveniently grouped into five categories: Justice Administration, Law Enforcement, Health and Social Services, Community Services, and Management Services. The following paragraphs discuss the highlights of the FY2003 budget in each of these categories.

JUSTICE ADMINISTRATION

Overview of Services - Dallas County provides facilities and support services for the operation of District Courts, County Courts, and Justice of the Peace Courts. The District and County Clerks, in addition to providing passports, marriage licenses, etc., perform those administrative functions associated with processing cases, safeguarding records, and collecting court fees, fines, and forfeitures. The District Attorney's Office prosecutes offenders on behalf of the people, while the Public Defender is responsible for the legal defense of individuals who cannot afford representation, as determined by a judge. Dallas County Judges operate the jury system which provides jurors for the 69 courts. The Frank Crowley Courts Building, the George L. Allen, Sr. Courts Building, the Henry Wade Juvenile Justice Center and the Records Building are largely dedicated to court and court-related activities, while the Justices of the Peace operate from sub-courthouses which are located throughout the County.

The Justice System is funded largely at FY2002 levels. Starting in FY2003, Dallas County Justice of the Peace Courts will no longer hear Dallas Independent School District truancy cases. These cases will be heard in special City of Dallas Courts which will be jointly funded by the Dallas Independent School District and Dallas County.

The Texas Fair Defense Act (SB 7) enacted by the 77th Legislature made major changes in criminal justice procedure. In order to comply with Senate Bill 7 the Dallas County Criminal Judiciary identified several major changes. One change involved pre-assigning misdemeanor cases in a manner similar to the assignment of felony cases. This was done in order to meet the timeline in the bill related to the appointment of indigent counsel. Another change implemented as a result of the bill is that all prisoners will be transported to the Dallas County Jail within 48 hours of their arrest. In order to meet this requirement five additional deputies were added to the Sheriff's Office.

Utilizing Public Defenders to defend indigent defendants is more cost effective than providing a private attorney. As a result, Dallas County added two Public Defenders and a Paralegal to the Family Courts for FY2003. In addition, Dallas County added a Justice of the Peace Prosecutor in the District Attorney's Office. The Justice of the Peace Prosecutor will be responsible for prosecuting traffic and truancy cases.

During FY2003 Dallas County will develop an enhanced issuance of bad check program. The goals of the program include: 1) ensuring all issuance of bad check cases are dealt with in the same manner with appropriate fines; 2) developing an interface between the District Attorney's computer system and the Justice of the Peace system and; 3) centralized collections of fines, fees and restitution.

During FY2002, the Justice Department approved the Commissioners Court's reconfiguration of the Justice of the Peace and Constable precincts for the convenience of the people and to assume compliance with applicable requirements of State and Federal law. As a result of this redistricting, Commissioners Court approved the reduction of three Justice of the Peace precincts. This resulted in the non-appointment of three elected Justice of the Peace and three elected Constables. This reconfiguration was done to improve the economic efficiencies of the system and to reduce the costs to the County taxpayer. The incumbents of offices abolished will continue to serve in the current capacities in the new precincts until their terms end.

LAW ENFORCEMENT

Overview of Services - The County's law enforcement efforts are led by the Sheriff, who is responsible for the six County jails and various related activities including a central kitchen, laundry, photo lab and print shop. The Sheriff also has a patrol division which operates in the unincorporated portion of the County. The five elected Constables serve civil papers and certain criminal warrants throughout the County, and operate as bailiffs in the 11 Justice of the Peace Courts. The Institute of Forensic Sciences is supervised by the County Medical Examiner and encompasses the morgue and a regional crime lab which has a wide array of diagnostic tools available for analyzing evidence in criminal cases. Community Supervision and Corrections and the Public Service department operate programs which offer judges work-related alternatives to incarceration. In FY2002, Commissioners Court approved the creation of the Office of Security and Emergency Management (OSEM). The OSEM offers emergency services to the unincorporated areas of the County and coordinates County-wide emergency preparedness.

Dallas County started FY2003 with only 49 Detention Service Officer vacancies, the lowest in many years. The Sheriff's Office has implemented a hiring plan that includes outsourcing pre-employment polygraph process which will allow them to continue to work hard to maintain this low vacancy rate.

The County continues to house several hundred inmates from the Immigration and Naturalization Service and Federal Marshal. These jail contracts have provided revenue that contribute toward fixed costs and have allowed the Sheriff to maintain a stable staffing level during periods of changing jail population. Dallas County also operates the municipal jail for the City of Dallas. This intergovernmental arrangement, now in its 18th year, provides economies for both jurisdictions.

Starting in FY2003, Sheriff's and Constable Deputies will process traffic tickets using hand-held computers that will print the citations. The information from the hand-held computers will be uploaded into the Justice of the Peace Courts system with all Internet, Interactive Voice Response and mail-in payments being processed through a Centralized Collections unit.

Dallas County continues to use the Constable staffing standard approved in FY94. As a result of this standard the County's five Constables received funding for five additional deputies and a clerk.

Dallas County Commissioners Court provided additional resources to the Institute of Forensic Sciences in order to perform more DNA testing. In addition, the staffing levels in the Drug Lab were increased in order to handle an increased workload from the City of Dallas.

In May 2002, Commissioners Court combined the following departments: Building Security, Fire Marshal, Fire and Rescue and Local Emergency Planning into the Office of Security and Emergency Management. The purpose of this department is to develop an emergency plan for the County as well as provide building security for County property and fire and rescue service for unincorporated Dallas County.

HEALTH AND SOCIAL SERVICES

Overview of Services - The County has broad responsibilities for public health, social services, mental health services and acute care for indigents, which it disposes through a combination of intergovernmental arrangements and County staff in the Juvenile and Health and Human Services Departments. The Juvenile Department provides services for youth ages 10-16 who become involved in the juvenile justice system as a result of delinquent conduct. Child Protective Services is a state agency which cooperates with the County to insure the safety of abused or neglected children. The County shares certain mental health responsibilities with the Dallas MetroCare Services, an agency whose board is appointed by the Commissioners Court. In addition, the County participates in the NorthSTAR program for managed mental health care.

The Health and Human Services Department was authorized three additional staff members in the FY2003 budget primarily to increase tuberculosis surveillance and treatment. The cost of these three positions is reimbursed by the Hospital District.

During FY2002, the Hospital District, Dallas County and the University of Texas Medical Branch at Galveston (UTMB) entered into a contract for UTMB to provide inmate health services beginning December 1, 2002. Due to this outsourcing effort, the County will delete 144 positions that are assigned to Inmate Health Services. Since the Hospital District had been reimbursing the County for providing Inmate Health Services. Outsourcing the contract had the effect of lower the expenses and revenues of the County by \$9 million.

Although FY2002 welfare expenditures decreased from the previous fiscal year, FY2003 welfare appropriations were provided at FY2002 levels as the slowing of the economy is projected to increase welfare expenditures in FY2003.

The NorthStar program began in FY2000 as a managed-case alternative to behavioral health care and substance abuse treatment previously provided by State-funded agencies. The County has maintained its commitment to the NorthStar program by funding the program at the FY2002 level.

During FY2002, the Dallas County Health and Human Services Department received a Public Health Preparedness and Response for Bioterrorism grant. The grant provided total funding of \$3.3 million, which included 25 positions. The grant focus was on the following areas of preparedness; Planning and Readiness Assessment - establish strategic leadership for bioterrorism and other outbreaks of infectious disease; Surveillance and Epidemiology - enable state and local health departments to develop systems for rapid detection of unusual outbreaks of illness; and Laboratory Capacity - Biologic Agent - ensure that core diagnostic capabilities for bioterrorist agents are available at all public laboratories.

Dallas County Commissioners Court encouraged Child Protective Services (CPS) and local advocacy groups to address salary issues with the State Legislature and during the 77th Legislature and several improvements were made. All CPS employees received pay raises. In addition, two bills were passed and signed by the Governor to encourage local solutions to CPS turnover problems. Specifically, Senate Bill 961 allows County and City governments to supplement caseworker salaries.

During the FY2002 budget process, Commissioners Court approved \$384,000 for a supplement pay

program authorized by Senate Bill 961 for Dallas County CPS employees. The intent of the program is to reduce the vacancy and turnover rates and increase the tenure of CPS staff in Dallas County.

In FY2002, a total of 108 CPS employees received an incentive payment. Preliminary results indicate that the average tenure of entry level employees improved by 20% and the turnover rate dropped from approximately 35% to 9%. The result is better services for at-risk children in Dallas County.

The Juvenile Department continues to experience volume pressure on its programs and facilities, as the rate of juvenile crime remains high. During FY2002, the Texas Juvenile Probation Commission issued a revision to its definition of 'direct and immediate' supervision to recognize building-wide staff to resident ratios. This revision of 'direct and immediate' supervision allowed for the reduction of nine full-time juvenile childcare workers in the FY2003 budget.

During FY2003, Dallas County will renew the operating agreement with Correctional Services Corporation (CSC), the private company operating the Medlock Center and the Dallas Youth Academy program. Included in the renewal was a 6% rate increase that increased the cost of operating these programs by over \$300,000.

Correctional Services will also continue to operate a detention overflow facility. This resource will be used when the detention population exceeds the rated capacity of 216 at the Henry Wade Detention Center. The annual projected expenditures for detention overflow is \$895,000.

The FY2003 Capital Budget includes the construction costs related to a 192-bed expansion of the Henry Wade Juvenile Justice Center. The expansion is expected to be completed by the end of FY2004. When this expansion is complete, the Juvenile Department will not need to purchase additional detention beds.

In FY2002, the Juvenile Department received funding for an initiative to provide computers to all professional staff with casework responsibility. This initiative will allow these staff members to directly enter information such as risk/needs assessments, court reports, agreed court orders, and warrant information. The department was able to delete eight clerical positions through attrition as a result of this initiative.

Dallas County continues to operate the Dallas County Juvenile Justice Charter School for youth housed in County facilities or court-ordered to County programs. The school system has an average daily attendance of approximately 500 students. As the school board, the Juvenile Board contracts with the Brown Schools, a private company, to operate the program. In addition, the department oversees the operation of the Dallas County Juvenile Justice Alternative Education Program (JJAEP) for youth who have been expelled from their public school. This program is also operated by a private vendor, Keystone/CCS.

COMMUNITY SERVICES

Overview of Services - The Community Services departments perform a wide array of functions for individuals in the County. The County is responsible for all elections of a County-Wide nature and provides election-related services on a reimbursement basis for political parties, municipalities, and special districts. The Public Works Department and Road and Bridge Districts share responsibilities for road repair and thoroughfare improvement on roads within and outside the corporate limits of the 26 cities in the County. The County's Veterans Service Officer assists veterans and their dependents with obtaining government benefits. The Agricultural Extension Service is a joint project among the County, the State and the State University system, to offer programs and expert advice to County residents on agricultural and horticultural topics. The Park and Open Space program provides regional leadership and planning for greenbelt and trail acquisitions.

The Public Works Department will continue the 1991 Bond Program projects in FY2003 with an effort to have all projects in the construction phase by FY2004, and completed by FY2006. This will allow for Major Impact, Thoroughfare and TEA 21 Projects to be the departments focus in future years.

Public Works has scheduled Singleton Boulevard in the City of Dallas and McArthur Boulevard in Irving as two major projects that will be put into construction during FY2003 and FY2004.

The Public Works Department is in its fourth year of executing its strategic plan, which focuses on improving the department's capacity to make high value-added transportation improvements for citizens of the County. The strategic plan is monitored quarterly and new objectives are continually added as the original objectives are accomplished.

The County is also participating with cities through local share matching for the federal transportation initiative (TEA21), and by cost sharing on certain local thoroughfare projects. In addition, the County has established dedicated funding to accelerate certain high impact transportation projects expected to have a significant effect on economic development.

The Household Hazardous Waste Network, which consists of 15 cities and the County opened their first fixed site waste collection point for highly toxic pollutants contained in common household and automotive products in FY2002. Citizen participation at the site has been very successful.

Dallas County continues to use a touch screen voting system for early voting and a scantron system for Election Day. The Elections Department's budget continues to fluctuate depending on the number of elections in the fiscal year.

In FY2003, the Preston Ridge and University of Texas at Dallas Trail will be completed. The Roy Orr Trail in DeSoto as well as the Muddy Creek Trail in Sachse will complete the design phase and enter construction phase. The South Mesquite Trail in Mesquite will initiate in design phase. In addition, Dallas County will improve the amenities at the McCommas Bluff Preserve.

MANAGEMENT SERVICES

Overview of Services - The Management Services departments operate the machinery of County government. Among the largest of these departments is the Tax Office, which collects taxes for the County, the Hospital District, the City of Dallas, Dallas Independent School District, the Community College District and several smaller jurisdictions. The Tax Office also operates the motor vehicle registration and title transfer process on behalf of the State. Other Management Services departments include the Office of the Court Administrator (which encompasses Communications and Central Services, Facilities Management, and Engineering and Project Management), the County Auditor, the Human Resources/Civil Service Department, the Purchasing Department, the Office of Budget and Evaluation, and the Data Services Department, which was outsourced to a private company in 1992.

The County's commitment to e-government continued to grow in FY2002, with the creation of a Web Master position to maintain and expand Dallas County's Internet presence at www.dallascounty.org. In addition, individuals are able to pay their property tax, renew their vehicle registration and beginning in FY2003, pay traffic tickets online. Individuals wanting to look up Commissioners Court agenda items or apply for a position with Dallas County may also do this online.

Commissioners Court authorized the County Auditor an Information Systems Security Manager to ensure the security of our information and systems. In addition, Dallas County added a Document Imaging Administrator position to assist departments implement document imaging and work flow systems.

Commissioners Court authorized the re-organization of the Purchasing Department in FY2002. One new Buyer position was added to the department. The purpose of the reorganization was to make the Purchasing Department more efficient and cost effective.

The County's FY2002 financial documents have again been awarded the highest awards from the Government Finance Officers' Association. The new budget and the Comprehensive Annual Financial Report will be submitted in hopes on continuing this tradition.

Dallas County has a five volume set of quarterly performance measure reports, which are produced, graded, analyzed, discussed, and used to make resource allocation decisions. The first three of these volumes are available on the County's web site at <http://www.dallascounty.org>. The Commissioners Court devotes one afternoon each month to in-depth discussion of performance-related topics and communicates with department heads who have made significant progress toward good performance or who may need additional assistance in meeting their performance goals.

CAPITAL IMPROVEMENT PLAN

Overview - The annual Capital Improvement Plan (CIP) consists of those items whose long useful lives distinguish them from recurring operational needs. Capital projects may be funded in one of three ways: a) with cash, b) through the proceeds of voter-approved bonds, or c) through the issuance of an annual Certificate of Obligation. Beginning in FY98, a set-aside of a portion of the County's property tax has been earmarked for major technology improvements. Beginning in FY2000, the Major Capital Development Fund was established to provide a funding mechanism to replace debt financing for major projects.

The County maintains a five-year Capital Improvement Plan which is updated each year and approved along with the annual budget. The first year of the five year plan becomes the approved capital budget and is shown on Table I-4.

The County has historically funded large capital improvements with tax-exempt bonds. Beginning in FY2000, the Commissioners Court embarked upon a program to lower the County's long-term debt to zero over a period of time, transitioning to an all-cash financing structure.

In order to accomplish this transition, County staff was requested to prepare a construction schedule for the major types of infrastructure (transportation, buildings, and parks) that might result from the cash flow available from the existing FY2000 debt service tax rate (4.5 cents) as it might be applied to a growing tax base. Under conservative estimates of tax base growth, the funds not needed for declining debt service, together with surplus license fee revenue, create a funding constraint. The Commissioners Court determined that unless economic conditions substantially weaken, sufficient cash will be available from these sources to fund the major infrastructure projects needed. The Capital Improvement Plan contained in Part VI of this document reflects this funding constraint.

Debt finance may be used for interim financing of a short duration, in order to match the larger construction drawdowns to the cash flow available. Thoroughfare improvement and County participation in federal highway initiatives have been scheduled to coincide with the Public Works Department's estimate of the County's project management capacity.

The Major Capital Development Fund is expected to develop a large surplus in the first several years, as cash is accumulated for the largest construction projects (e.g., expansion of the Juvenile Justice Center and construction of a new Institute of Forensic Sciences). Conversely, the Major Technology Fund has immediate needs and has been used heavily for Y2K-related remediation. Interfund borrowing between these two funds is currently programmed.

Table I-4
FUNDED CAPITAL AND TECHNOLOGY PROGRAMS
(Combines all funding sources)

Bond Funds (transportation)	57,900,000
Major Capital Development Fund	
Thoroughfare Program Design	3,000,000
Open Space Trail Acquisition and Improvement	835,000
Civil Courts Renovation	11,000,000
Juvenile Detention Center	10,024,999
Old Red Courthouse Phase II	2,000,000
Vehicles	1,361,500
Major Technology Fund	
Civil Courts System Replacement	4,294,730
Computer Replacement Equipment	200,000
Conference of Urban Counties	92,733
Child Support Upgrade	288,000
District Clerk Touch Screen	350,000
CSCD System	138,000
Public Works 911/GIS	57,000
TB Tracking	115,000
County Records	173,000
Institute Case Billing	230,000
Permanent Improvement Fund	
Administration Building	60,000
Frank Crowley Courts Building	300,000
Countywide Improvements	632,500
Sterrett North Tower	160,000
Henry Wade Juvenile Justice Center	200,000
Maintenance Items Less Than \$5,000	634,296
Transfer to MCDF	500,000
Total	94,546,758

DALLAS COUNTY HOSPITAL DISTRICT

The Dallas County Hospital District's budget and tax rate are approved by the Commissioners Court, although the details of the expenditures are determined by a separate Board of Managers. The district's tax rate was raised substantially as a result of reductions in federal participation through the Medicaid and Medicare programs, which is affecting virtually all private and public hospitals in the country. The budget process resulted in substantial cost-cutting plus agreements to study certain aspects of the hospital's operating and capital planning during FY2001. Additional detail on this increase is included in the "Other Funds" tab of this document.

BOND RATING

Dallas County had its AAA/Aaa superior credit rating confirmed by both major rating agencies, reflecting steady management, healthy reserves, and modest debt levels. Dallas County is one of the very few counties in the nation to earn a superior credit rating by both Moody's Investors Service and Standard and Poors, Inc. Additional information on the County's bond rating can be found following the "Debt and Debt Service" tab.

PERFORMANCE REPORTING

Dallas County has evolved a system of performance reports that is explained more fully in the "Trends and Summaries" section and in the attachment to this document. The FY98 budget was the first to include mission statements, performance goals, and performance measures for each County department. The FY99 budget was the first which required the development of performance measures prior to the approval of new resources. The FY2000 budget expanded this requirement to all departments, regardless of their requests for new resources. These performance measures are discussed monthly at a "Performance Forum" intended to highlight the importance of establishing accountability standards for County services. The attachment to this budget document is a compilation of all final performance reports for FY2000.

The County's system of management reports and gainsharing programs each was awarded an achievement award by the National Association of Counties in FY98. The Management Report consists of five volumes: **â** an overall statistical summary of workload, **ã** a report consisting of court-by-court comparison of justice system costs, **ä** performance indicator report, **å** a juvenile recidivism report and **æ** a major projects review.

REINVENTION AND GAINSHARING

The FY2003 budget continues for the sixth year the Departmental Discretionary Account (D.D.A.), which is a line item in each department's budget with the following characteristics:

- seeded annually in an amount that depends on department size;
- can be increased through distinct management initiative, such as finding a cost savings or holding a position vacant;
- can be spent substantially at the discretion of the Department Head on performance awards, travel, training, employee incentives, amenities, etc.

The last point is a significant departure from historical County procedure, which called for extremely tight oversight on even the smallest expenditures. The new policy replaces the detailed oversight with more general restrictions and departmental discretion.

The ability for a department to share in the proceeds of a management initiative has resulted in several important cost savings to taxpayers. The most significant use of this gainsharing has been to induce departments to leave authorized positions vacant for periods of six months to one year. The D.D.A. award is made only if the Commissioners Court determines that the department can continue to provide adequate services and that there will be no increase in overtime to offset the savings.

SUMMARY

The FY2003 budget provides funding for the three most pressing problems at the County: workforce investment, actuarial funding of the health insurance program, and long-term capital needs. Major new initiatives include additional Public Defenders to decrease indigent defense costs, additional Tuberculous staff to address an increase in the number of active Tuberculous cases and additional DNA analysis staff for the Institute of Forensic Sciences to address the increased usage of DNA in criminal investigations.

Dallas County enters FY2003 with a low tax rate, superior bond ratings, experienced leadership, and the confidence of its constituents. Challenges for FY2003 include the efficient implementation of new programs in a timely fashion, and adaptation to the rapid changes in the environment and financing of healthcare delivery.

BUDGET DOCUMENTATION

The *Dallas Morning News* contained the required notification of the public hearing that was conducted on September 17, 2002. The budget was approved unanimously on that day and made available to department heads immediately thereafter. A thirty-seven page Budget-in-Brief has also been prepared and distributed widely.

ACKNOWLEDGMENT

The Office of Budget and Evaluation acknowledges the highly professional assistance of County staff and Elected Officials in the preparation of the FY2003 budget. Noteworthy among those that assisted are the Auditor's Office and the Office of the Court Administrator.