Sarasota County

New High-Water Mark for Forecast Accuracy at Sarasota County Government (Florida)

Profile

With constituents who reside at some of the most prestigious addresses in Florida and revenues in excess of $1 billion, Sarasota County Government needs to accurately forecast revenues just as any large corporation would. The county provides a wide range of important services to its residents who rely on them on a daily basis to maintain their quality of life.

Challenges

The Office of Financial Planning coordinates the entire budget process for the county, supporting the line departments—such as Emergency Medical Services, Parks and Recreation and Public Works—that directly provide services to county residents. These departments, which can be viewed as business units, had traditionally developed their own budgets without any consistent methodology for forecasting revenue. As a result, the accuracy of the forecasts varied widely—two thirds of the forecasts were either unacceptably high or low. In its role of providing analytic support to the departments to facilitate sound decision making, the Office of Financial Planning wanted to complement the departments' budgeting efforts to produce more accurate, uniform results.

Solution

Using Forecast Pro XE, Robert Kozash, Budget/Management Analyst, has developed regression-based forecasting models for each of the county's revenue streams such as gas taxes, communication services taxes and property taxes. In the process, he has created a database of nearly 50 economic indicators that impact tax revenue. This consistent, available data is gathered at local, county, regional, state and federal levels, and reflects a wide range of drivers—everything from the number of passengers arriving at a local airport to the Dow Jones Industrial Average.

For each revenue source, he then compared actual revenue vs. budgeted revenue vs. what the models would have predicted for a five year period. The forecasts that he developed using Forecast Pro consistently came within 2.5% of actual revenues.

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Using Forecast Pro XE Version 5's powerful graphing capabilities, he was able to quickly produce presentation-quality reports to show the departments how accurate the models are in predicting revenue. "A picture really is worth a thousand words," notes Kozash. "It can be tough to try to explain how a model works and performs if you resort to technical jargon, but V5 allowed us to easily create graphs for our colleagues to visualize how accurate the models are. The new user interface is easy-to-navigate and very user friendly. The curtain menus with pop-ups and the ability to save graphs and reports directly to Excel are great features."

"When you combine the accuracy of Forecast Pro's models based on underlying driving indicators with the ability to adjust the baseline forecasts to incorporate the domain knowledge that the departments have—such as awareness of impending legislation that will impact taxes—it's hard to dispute that the forecasts will be more accurate," explains Kozash.

Results

With a reputation for being progressive in developing and applying analytic methods, Sarasota County Government has received another "feather in its cap" with its new budget forecasting process. Before committing to the Forecast Pro dynamic regression models for the 2007 budget process, the county hired a respected independent economic consulting firm to evaluate their performance. The firm was so impressed that they have endorsed the model to the Florida Board of County Commissioners for use in all 67 counties throughout the state.

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