**Board of County Commissioners**

**Workshop**

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| Date of Meeting: | June 23, 2011 |
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| Date Submitted: | June 24, 2011 |
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| To:  | Honorable Chairman and Members of the Board |
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| From:  | Timothy P. Barden, Interim County AdministratorWilliam Wright, OMB Analyst |
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| Subject: | Third Budget Workshop Regarding the Development of the FY2011/12 Budget |

**Statement of Issue:**

This workshop is the third of four scheduled workshops in the development of the FY2011/12 Budget whereby the Board shall provide direction to the preparation of the FY2011/12 budget. This workshop is intended to provide the Board with an overview of the General Fund operating budgets. Since the State has not released all the revenue estimates for the all the county capital improvement funds, staff will be presenting the Capital Improvement Project overview at the next workshop scheduled for August 4, 2011.

**Background:**

On January 24, 2011 the FY2011/2012 budget calendar was approved by the Wakulla County Board of County Commissioners. The following background information briefly recaps the history of Board action to date for the current budget cycle.

On March 10, 2011, the Board held the first of four scheduled workshops for FY2011/2012 budget process. The following items were presented during the workshop:

1. Direct staff to maintain service levels through conservation techniques utilizing conservative projections of existing revenue sources and implementing the following options:
	1. *No New Services and/or Programs unless grant funded with zero match requirement of the General Fund.*
	2. *5% Decrease in Total General Fund Budget from FY2010-11* Each division/department currently controlled by the Board including Constitutional Officers, should be given direction to present and FY2011/12 budget with a 5% decrease from the previous year. This should result in a decrease of - $1,000,000 in the General Fund from FY10/11. Additionally, this decrease should be shared by all organizations received donations or support from Wakulla County, such as the Health Department and Senior Citizens.
	3. *No Cost of Living Increase (COLA)*
	4. *Increased Lobbying Efforts of the Legislature by Commissioners and existing staff to maintain funding and avoid cost shifts.*
	5. *Establish MSBUs to support road paving and possible storm water initiatives.*
	6. *Expand grants for Capital Projects County-wide.*
	7. *Eliminate operating reliance reserves.*
	8. *Tying emergency funds to budgeted emergency reserves.*
	9. *Continued attrition across the County whenever possible.*
	10. *FLEX Insurance Cap*
	11. *Employees absorb all Health Insurance Increases*
	12. *Fire MSBU increase*
	13. *Public Service Tax*
	14. *Communication Service Tax*

**Analysis:**

This workshop item will present to the Board the FY2010/2011 draft budget for the General Fund. The FY2010/2011 Tentative Budget is due to the Board July 15th. Staff has met with each department and the Constitutionals to discuss their budgets in an effort to obtain a balanced budget. There are some outstanding issues that directly relate to the budget that the OMB staff would like to receive direction from the Board on so that a balanced, fiscally responsible Tentative Budget can be presented to the Board on July 15, 2011. The draft budget numbers presented are not final and are subject to change based on Board consideration of issues addressed in this workshop. The analysis section of this workshop item will be broken down by the following:

1. Budget Related Developments Since 2nd Budget Workshop (Revenue Estimate Decreases)
2. General Fund Revenue Summary and Highlights
3. General Fund Expenditure Summary and Highlights
4. Additional Budgetary Impact Discussion Items

**Budget Related Developments Since 2nd Budget Workshop (Revenue Estimate Decreases)**

Following the ratification of the second budget development workshop the Wakulla County Property Appraiser released the June 1, 2011 preliminary estimated gross taxable value including new construction based upon fair market value of locally assessed real estate and tangible personal property. The June 1st estimate (Attachment #1) was $1,076,112,251. Overall, this is a 9.51% decrease below FY10/11 taxable value. Based on this estimate, maintaining a millage rate of 8.7500 will generate a shortfall in ad valorem of ($939,053).

Audit

Additionally, following the second budget development workshop, staff and the Clerk of Courts office met with the County Auditor, Powell and Jones to review the most recent audit. This was since finalized by the auditors immediately prior to their presentation to the Board on June 21st. The audit highlighted that revenue and expenditures did not meet projections for the FY09/10 fiscal year, particularly in the Road and Solid Waste Funds. As a result of this shortfall in revenue, there was a significant reduction in the undesignated General Fund balance. It was the auditor’s recommendation that the county be conservative in revenue estimates for future budgets so that revenues exceed expenditures. In doing so fund balance should increase.

**General Fund Revenue Summary and Highlights**

The revenue for FY2011/2012 for all the funding sources that make up the General Fund is included in Attachment #2. In this attachment is the revenue estimates for all revenue sources that make of the General Fund as well as the anticipated increases and decreases proposed for the FY 2011/2012 budget. Below are some key highlights on the major revenues in the General Fund.

*Ad Valorem:*

The total decrease in estimate General Fund revenue from FY2010/2011 to FY2011/2012 is projected to be 9.51% based on a millage rate of 8.7500 mills. This is a significant decrease in the largest revenue in the General Fund and equates to a total decrease in ad valorem revenue of ($949,053).

*Appropriated Cash Forward*

There is no cash forward appropriated in this budget. The reserves have been budgeted at a total $500,000. Therefore, if all anticipated revenue is received in the next fiscal year, that $500,000 will fall to fund balance.

*Jail Bed Revenue*

Further reductions in actual jail bed revenue collected over the past two fiscal years have presented a need to lower estimated revenue from this source. Based upon an average collection over the past two years as well as recent Board direction to increase the allocation to the jail bed reserve fund by 10%, the estimated jail bed revenue of $2,400,000 has been lowered by $300,000 to $2,100,000 for FY2011/12. The Sheriff’s office concurs with the reduction in this revenue estimate.

*Planning and Zoning*

Planning and Zoning and revenue is anticipated to dramatically decrease in the FY2011. This is a direct result of the slowdown in the building sector of the economy. Revenue estimates for the all Planning and Zoning related revenue have been reduced by approximately 20% based on current receipts and anticipated revenue for FY2011/12.

*Fiscally Constrained Amendment #1 Offset Funding:*

Fiscally Constrained funding from the Legislative Off-set of Amendment is expected to remain the same for FY2011/12 based on the estimated levels funded by the Legislature.

*State Revenue*

All the state revenue estimates have not been made public at this time by the Office of Economic and Demographic Research (EDR). It is anticipated that there will be a decrease in all the state revenue for FY2011/2012. The revenues estimates for the following sources have not been received by the Office of Management and Budget as calculated by the State of Florida. The estimates are anticipated later in the month of June. However, it is anticipated that there will be a decrease in all of these sources to coincide with the downturn in the economy.

1. Communication Services Tax
2. State Revenue Sharing

The following state revenues estimates have been received and included in the estimated revenue for the General Fund. However, in light of continuing shortfalls, these revenues have been further decreased by 5%.

1. Half Cent Sales Tax
2. Half Cent Sales Tax Supplement
3. Fiscally Constrained Funding-Annually Allocation

In total, the estimated revenues in the General Fund in the tentative draft budget have been decreased by over $2.3 million dollars even with the Board approved increases in the Communications Services Tax and the imposition of Public Services Tax.

**General Fund Expenditure Summary and Highlights**

Based on the fact that the County is faced with unprecedented shortfall in revenue, the Office of Management and Budget has worked, under Board direction, with the staff in all departments and divisions to reduce expenditures in the proposed budget.

*Increases/Accommodations*

1. The General Administration budget has increased by 23%. This is directly related to funding County reserves in total at $500,000, which is $370,000 above the previous year.
2. There is a slight increase of $5,701 in the Supervisor of Election budget to account for the additional election cycle in FY2011/2012.
3. A department was set-up for the Community Center. $25,000 was allocated to this department based on an estimated annual amount for utilities and phones. This is subject to change based a negotiated contract with YMCA and other entities interested in the facility.

*Decreases/Cuts*

1. Reduction in total General Fund budget is -$703,952 or 3.5% lower that FY2010/2011.
2. The County Administrator’s budget has decreased by 9.32% or -$41,149 as result of a decrease in personnel costs related to FRS and the County Administrator position.
3. The Sheriff’s office budget has decreased by -$401,345 or 3.8% with the elimination of 7 FTEs.
4. The Clerk of Court’s budget decreased by -$21,925 or 5%.
5. The Tax Collector’s budget was decreased by -$10,849 or 2%.
6. The Property Appraiser’s budget has decreased by -$28,383 or 3%, due to the reduction of FRS costs.
7. Planning and Zoning budget has decreased by -$102,488 or 25%. This reduction is associated with a decrease in personnel and professional service costs anticipated for FY2011/12.
8. Public Library has a reduction of -$40,533 to the overall budget and a reduction of -33,875 to the local library budget. This reduction was accomplished by shifting costs in contracted services and other operating expenses from local to state budget.
9. Facilities Management has decreased by 17% or $18,509 due to reductions in FRS, the elimination of a full-time OPS position and a reduction in maintenance and repair line item.
10. The Office of Management and Budget has decreased its budget by 32% or -$59,304 due to the elimination of one full-time position as well as deceases in every line item in the budget.
11. Parks and Recreation combined budget has been reduced by -$43,839 by decreasing maintenance and repair as well as operating supplies.
12. Emergency Medical Services budget decreased by -$318,839 due to the elimination of the Public Safety Director position and one vacant paramedic position as well as a reduction in other personnel costs.
13. Animal Control decreased its budget by -$15,970.

In total, General Fund expenditures have decreased by -$1,073,952 or 3.5% for FY2011/12. The BoCC decreases equal -$617,152 or an 8.58% reduction over the previous fiscal year. The Constitutional Offices contributed an additional -$456,801 in reductions or 3.57% decrease in expenditures of the previous fiscal year. However, even with these reductions there is still an estimated funding gap of ($409,629) between estimated revenues and expenditures that needs to be filled.

**Additional Budgetary Discussion Issues for BOCC Direction:**

As you see, today there is still a funding gap of approximately $409,629 between estimated revenues and requested expenditures in the General Fund. While a few revenues may be available for slight increases to reduce this balance, it appears that further cuts will be needed. Additionally, the Board’s standing direction of maintaining the millage rate at 8.7500 mills while not reducing current service levels may not be achievable as outlined. Moreover, additional encouragement to outside agencies to make cuts is also imperative.

As preparation of the FY2011/2012 budget is still on-going, the following are additional areas for Board attention/direction TODAY, to assist staff in crafting a balanced Tentative Budget by the deadline of July 15th:

*Insurance*

OMB has not yet received the new rates for the property or liability insurance premiums. It is anticipated there will be an increase due to the new facilities complete and vehicles purchased and litigation in FY2010. A modest increase has been included in the present proposed budget until premiums are finalized.

1. *Line Item Funding for Outside Agencies*

Every year in the budget there are various line item funding set aside for outside agencies. The Board funds various line items as part of their General Administration and Human Services budget:

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| **BOCC Organizations and Memberships** | **FY2009/10 Budget** | **FY2010/11 Budget** |
| Assoc. of City/County Coalition | 2,810 | 2,810 |
| Apalachee Regional Planning Council | 8,400 | 8,400 |
| Small County Coalition | 4,350 | 4,350 |
| N.Central Fla. Reg. Planning Council | 2,000 | 2,000 |
| CRTPA | 5,713 | 5,713 |
| Economic Development Council (EDC) | 5,000 | 5,000 |
| Florida Association of Counties  | 2,702 | 2,702 |
| Welfare Board | 4,000 | 4,000 |
| TMH Trauma Center | 8,745 | 8,745 |
| Mosquito Control | 40,000 | 35,000 |
| Health Department Contribution | 62,085 | 54,479 |
| Soil & Water Board | 1,350 | 1,350 |
| We Care Network | 6,000 | 6,000 |
| Senior Citizen Contribution | 34,006 | 32,189 |
| Senior Citizen Transportation | 38,684 | 38,684 |
| Sanity Inquisitions | 55,000 | 55,000 |
| Total: | 280,845 | 280,845 |

1. *Staff Furloughs:*

In many jurisdictions in Florida and throughout the nation, staff furloughs are being implemented to reduce budgetary costs, while not eliminating salaried positions altogether. In most jurisdictions, furlough days are aligned against existing holiday weekends such as Martin Luther King Day. While the extra day off is not compensated, correlating furlough “shut down” days for non-public safety county services (with long weekends) allows staff some offset to the cost savings to the county their furlough (and paycheck reduction) entails. During the current fiscal year, staff has experienced furlough days. Each furlough day for just the Board departments and divisions generates approximately $8,000 in savings to the County. However, furlough days equate to pay reductions for all affected staff.

1. *Increase Employee Participation in Health Care Premium Contributions(CHP & Flex):*

The Board has already given direction to build the FY2011/12 with the employees absorbing any increase in health insurance costs from CHP. County is anticipating a 6% or more increase in health insurance premiums for FY2011/2012. Currently the Board pays 100% of the premium for single coverage, 80% for spouse coverage and 75% for family coverage. In the past few years, the Board has absorbed any increases to health insurance and not past these increases on to employees. Staff is working with our health insurance broker with Brown & Brown and our insurance provider to see if there are any alternative plans outside of Capital Health Plan (CHP) and to also see if alternative plans with regards to increased co-pays vs. premium increases are available. Unfortunately, we will not be made aware of these alternatives until mid-July to late-July, 2011.

An option for the Board is to consider increasing the employee contribution to health insurance premiums. A 10% increase in each category (single, spouse, family) would reduce county costs by $58,000 dollars. A 20% increase would reduce county costs by approximately $113,000. In light of the increases in FRS contributions, current furlough days and potential additional furlough days in FY2011/12, staff is not recommending increasing employee contributions to health insurance at this time. However, if an alternative plan for an increase co-pays is offered in lieu of increased premiums, staff would recommend this course of action.

For employees on the Flex Plan, if the Board should wish to increase the percentage of the employee contribution to healthcare, the Board would see an equal reduction in the Flex Plan premium. Currently, the Flex Plan premium is $5,364 annually. It has been increased annually to coincide with health insurance premium increases. At May 6, 2011 workshop, the Board gave staff direction to cap the Flex Plan. The budget presented in this item caps the Flex plan at $3,500 with an annual cost savings of proximately $100,000. Should the Board decide to lower the cap, there would be off-setting cost savings realized for the County.

1. *Direction to Constitutional Officers to Share Further Cuts/Begin the Reduction Process:*

While many Constitutional Officers have made initial program cuts, it is reasonable that they would also be curious as to what cuts are being made by the BoCC and their peer agencies and/or gaining a better “budget picture” prior to agreeing to further reductions (in a collaborative manner to make overall budget ends meet). At this time it is evident as to the serious nature of the challenges that still remain and the need for their participation in this regard. Board direction as to what to ask of each Constitutional Officer at this time is being sought by staff. Seeking Constitutional Officer participation at the Workshop and getting this Board direction will be critical in staff’s efforts to present a balanced budget to you on July 15th. The assistance of the Constitutional Officers is most appreciated and, in this case, absolutely necessary.

1. *Program/Service Reductions (Including Staff Layoffs):*

In light of the significant shortfall of revenue to balance the budget, staff is currently evaluating programs that could be reduced or eliminated to save costs to the County. It is a solemn task to highlight those non-public safety areas that could be a target for program reductions and layoffs of existing staff. However, should hundreds of thousands of dollars in “gap” remain at the end of this exercise, that is the position that the County is in to finalize a balanced budget plan. The list of potential division eliminations and position layoffs was presented to the Board in an agenda item (Attachment #3) at the June 6, 2011 Board Meeting in an effort to reduce the current fiscal year budget. Should the Board choose to move in that direction, the division eliminations and staff lay-offs recommended in that item would continue to be the recommendation for FY2011/12 budget plan. Board direction on your desire in this regard is also being sought at this time.

1. *Millage Rate Options Below the Rolled Back Rate:*

The roll back for FY2010/11 rate is 9.6960. At the workshop on May 5, 2011, the Board requested that OMB prepare a budget based on an 8.7500 millage rate or .9460 below the roll back rate. For informational purposes, one mill at generates $1,031,680. Based on the anticipated revenue from the Property Appraisers June 1st estimate, an 8.7500 millage rate produces a deficit of ($949,053) in ad valorem revenue. The millage rate requested by the Board also does not present a balanced budget option for FY2011/12. There is still an estimated ($409,629) budget gap that would need to be filled. The millage increase that would be needed to fill the ($409,629) budget gap gap is .3971

At this time, and given the updated status of programs and services, staff is seeking clarification from the Board on the tentative millage rate for the FY2011/2012 Tentative Budget. Staff’s recommendation on this issue is that the Board approve a millage rate that closes the final gap between total expenditures *after* the Board directed cuts (Issues #1-5 above) are made and after all revenue increases/decreases are known.

*Other Board Direction Related to the FY 2011/2012 Tentative Budget Development.*

*Fire Services Program Funding:*

On May 26, 2011 the Board held a workshop to discussing the Fire MSBU. The current Fire MSBU assessment is set a rate of $61 per household. At the workshop, the Board heard from members of the entire Fire Service, volunteers and paid personnel. The recommendation from the Fire Services Personnel was to raise the assessment from $61 to $85 for FY2011/12. It should be noted that last year this assessment was noticed at a rate of $75 and then lower to the current $61 at the public hearing. In order to avoid have to re-noticed all affected households any new rate would have to be equal to or less than the $75 rate. At this time, staff is recommending that an increase in this assessment be at or below the $75 level to reduce the effort and costs of re-noticing. Staff is seeking direction at this time as to what level of assessment they would like the Fire Services MSBU budgeted for in the FY2011/12 tentative budget.

*Solid Waste Assessment*

Since last year, the Board has discussed the need for a Solid Waste Assessment. Currently, there is RFP issued to solicit proposals for the collection and disposal components and are due on July 8th. Previously, staff presented the Board the $112 assessment as an option to fund operations as well as construct a Transfer Station as part of the overall funding plan with USDA that included $713,000 in match funding. Staff is seeking direction at this time as to what level the assessment should be to prepare the tentative budget for the Solid Waste Fund. Its staff’s recommendation that at a minimum, without knowing the outcome of the RFP, that the budget for the Solid Waste Fund be based on a $112.

*Fire/EMS Surtax*

There has been some discussion by the Board regarding the possible imposition of a Fire/EMS surtax to fund a portion or all of your Emergency Medical Services functions and remove the burden of this service from the General Fund with an equally off-setting reduction in ad-valorem. This surtax requires a referendum so the citizens would be able to decide if they want the tax and the county would be required to roll back its other millage by the amount of expected revenues from this tax. The 1% surtax would generate approximately $1,837,000 in revenue which would translate to a millage reduction of 1.7806 mills. Staff is seeking direction regarding the Board’s desire to pursue this as a funding mechanism for EMS.

**Summary:**

Three weeks from this workshop, on July 15th, the County Administrator will be presenting the Tentative Budget to the Board per Florida Statutes. At this time, staff has presented additional information regarding the present status of the budget development process, including a noted gap in revenue less appropriations of ($409,629). Accordingly, staff is seeking direction on the mechanisms the Board would like to see implemented in order to present a balanced budget plan in accordance with Board desire.

Clearly, Wakulla County is facing an unprecedented decrease in revenues due to the downturn in the economy and the Board’s desire to continue to pass along property tax relief, via lowered millage rates below the Rolled Back rate, to county citizens. There are many budget issues that staff is seeking direction from the Board on in order to provide a balanced, fiscally responsible budget that meets the needs of the citizens. The General Fund budget presented in this workshop item is not finalized and is subject to further change based on Board direction. However, the General Fund is a key driver of county programs and services and is the focus of today’s workshop and request for Board direction. The major issues that staff would like some direction from the Board on from this workshop are as follows:

1. Line Item Funding to Outside Agencies Determination (Issue #1, above)
2. Mechanisms for Closing Revenue/Expenditure Gap (Issues #2 – 5 above)
3. Millage Rate Determination (Issue #6, above)
4. Other Board Direction Related to the FY 2011/2012 Tentative Budget Development.

**Attachments:**

1. Property Appraiser’s June 1, 2011 Estimate Taxable Value.
2. General Fund Department “Draft” Budgets(including Constitutionals)
3. June 6, 2011 Agenda Item